





ip in West Germany  
border police say that 120 more  
have abandoned a temporary  
political asylum.  
number of Polish travelers  
in the last two weeks, say  
that 120 passengers, including  
our shipowner, had been turned  
away. The passengers were sent  
back to Poland.

eds Chess Stalemate  
now, the world chess champion  
shattered, also of the Soviet Union,  
had string of 17 consecutive wins  
during his tour.  
Saturday in Moscow's House  
ended after Mr. Kasparov's 20th win.  
of the games, of the 27 played,  
ended in draws. His 20th win  
game was scheduled to be  
a time out.

Leaders Hold Talks  
with Khomeini  
plans to deport the Lebanese  
all road all the way to the Israeli  
and that the purpose of the  
important needed to carry out their  
significant development as well  
as to help at the peace talks  
of Lebanon and after the days  
in some security measures had  
been set for ending the war.

Embassy in Lisbon  
at-preserved premises are being  
day, slightly damaged tree  
projective equipment in building

that the local government  
but can't be repaired  
and has been removed to  
the charge of the foreign  
ministry.

Hunt for Mengoku  
of the movement of  
Nigerian rebels, led by  
from the country's capital  
and other parts of the  
country. Mengoku, who  
was captured in 1975, had  
been released from prison  
in 1979.

Do 'Hot' Colleges  
Lead to Hot Lives?

The quality of being "hot"  
seems to be getting more important  
all the time for high school  
seniors and their parents when  
it comes to picking a college.  
Michael Winerip reports in the  
New York Times: "In an un-  
stable economy, they see a 'hot'  
college as a good investment.  
Hot colleges lead to hot professional  
schools, which lead to hot careers and, presumably,  
hot lives."

Just what everybody means  
by hot is hard to say precisely.  
But it includes a high academic  
reputation with a special campus  
atmosphere. At Stanford, it's the California weather.  
At the University of Virginia, it's  
the tradition and the architecture  
of Thomas Jefferson. At Brown in Providence, Rhode Island,  
it is the flexible curriculum.

The 1970s, the years of the  
Vietnam War and Watergate,  
were bad for the U.S. Military  
Academy. Now, with a resurgence  
of patriotism and conservatism  
among the young, West Point is hot.  
Other hot institutions:  
Duke in North Carolina,  
Georgetown in Washington  
and Northwestern in Illinois.

"No magic formula exists, no  
definitive list has been uncovered," Mr. Winerip cautions.  
"Into all this must be factored  
the fickleness of youth."

O Little Town  
Of Washington...

For the first time since a 1973  
court ruling halted the practice,  
a Nativity scene will be featured

— Compiled by  
ARTHUR HIGGINS

U.S. Blacks Urge Campaign Against South Africa

New York Times Service

WASHINGTON — Three black  
leaders arrested last week for staging  
a sit-in at the South African  
Embassy in Washington have called for a national campaign to  
oppose South Africa's policy of racial separation.

"We must support Mother Africa," Walter E. Fauntroy, delegate to Congress from the District of Columbia, said Friday. "Our efforts thus far on the streets and in  
the Congress have met with no success, so we move our struggle to a new level."

Mr. Fauntroy was arrested

Wednesday at the South African  
Embassy along with Mary Frances  
Berry, a member of the U.S. Commission  
on Civil Rights, and Randall Robinson, the director of  
TransAfrica, a black lobbying group.

The three pleaded not guilty on  
Thursday to charges of unlawful  
entry and were released without  
bail, pending a preliminary hearing  
Dec. 20.

Mr. Robinson said the campaign  
was meant to win the release of all  
black leaders imprisoned by Pretoria  
since 1961 and to encourage  
negotiations between black leaders

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Bruce Jay Lewin, D.D.S.,  
680 Route 206 North, Bridgewater, N.J. 08807, U.S.A.  
Tel.: 201-722-6666. Telex: 530 767.

## AMERICAN TOPICS

### Clark Puts Stamp On Interior Agency

Three assistant secretaries of the U.S. Interior Department have resigned effective at the end of this month. Officials say this signifies no change in policy. But outside the department, the departures have been widely interpreted as a sign that the new secretary, William P. Clark, intends to continue a steady move away from the confrontational policies of his predecessor, James G. Watt.

Departing are: Garrey E. Carruthers, who is in charge of the department's energy and minerals office; G. Ray Ameti, who runs the fish, wildlife and parks programs, and Kenneth L. Smith, who oversees Indian affairs.

Conservationists have charged that wholesale leasing policies under Mr. Carruthers have endangered the environment. Conservation groups consider Mr. Ameti inflexible, combative and indifferent to parks. Mr. Smith, a member of the Wasco tribe of Oregon, has been criticized by tribal organizations for accepting heavy budget cuts in Indian affairs programs.

"This is a symbol, I think," said Paul J. Prichard, president of the National Parks and Conservation Association. It is "reflective of Clark changing the Interior Department from the Watt stamp to the Clark stamp."

**Chicago Pushes On  
With 1992 Fair Plans**

Undeterred by the bankruptcy and \$100-million losses of the recently-ended World's Fair in New Orleans, organizers of the 1992 Chicago fair are pushing full speed ahead. But members of the Illinois Legislature and the Chicago City Council have yet to give final approval. The fair will celebrate the 500th anniversary of Columbus's arrival in America.

**Notes About People**

Senator John Tower, the chairman of the Senate Armed Services Committee, who is retiring in January, says in a parting shot that many weapons programs "are perpetuated because powerful members of Congress dictate that they shall be, beyond military need."

Members of Congress often argue that they are only voting for what the Pentagon has requested, to which the Texas Republican replies, "Sure, it's the



John Tower

department's request because the department has been blackmailed into including it." To exclude the favored weapon would be to incur the wrath of the member, says the senator, and produce adverse votes on arms that the Pentagon really does want. Mr. Tower will become a visiting professor at Southern Methodist University in Dallas.

Sydney Biddle Barrows, nicknamed the "Mayflower Madam" by the New York tabloid newspapers, has been dropped from the 1985 Social Register. Miss Barrows, 32, a descendant of William Brewster of the Mayflower pilgrims, has been accused in Manhattan Criminal Court of running a million-dollar-a-year prostitution ring.

— Compiled by  
ARTHUR HIGGINS

## States Dispute Rosy Fiscal Forecast as U.S. Reviews Aid Cuts

By Robert Pear  
*New York Times Service*

WASHINGTON — A major battle is shaping up over the administration's contention that the fiscal condition of the states is much stronger than that of the federal government and that the states can absorb further reductions in federal aid and the loss of some tax benefits.

State and local officials reply that their fiscal outlook is not nearly so rosy as Treasury studies would suggest. They express fear the studies will be used to justify cuts in federal funds for housing, health and employment programs that they consider vital.

Treasury officials said the states had a cumulative surplus of \$6 billion for fiscal years ending in 1984. They estimated this figure would rise to more than \$60 billion in 1989 if state tax laws and spending policies continued unchanged.

Robert W. Rafuse Jr., deputy assistant secretary of the Treasury, said, "The fiscal outlook for the state and local sector, relatively speaking, is a lot better than it is for the federal government."

Administration officials said the definition of federal aid would be expanded to include hidden "subsidies" such as the deductions that people take on their federal income tax returns for taxes paid to state and local governments. In the past, such deductions did

not figure prominently in the debate over federal aid.

Under a 1983 law, the Treasury is required to study the long-term outlook for the fiscal condition and fiscal capacity of state and local governments. The deadline for completion of the study is June 30, 1985. But much of the work has already been done.

Administration officials said some of the preliminary findings were being used in preparing the budget for the fiscal year 1986, which President Ronald Reagan is to submit to Congress in late January or early February.

State officials contend that the Treasury estimates concealed wide variations in the financial conditions of the states and were highly unrealistic. They said the states would have to take greater responsibility for more programs as the federal government scaled back spending to reduce its budget deficit.

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## Opponents Say Sandinists Restrict Travel

By Stephen Kinzer  
New York Times Service

**MANAGUA** — About a dozen leading Nicaraguan opposition figures say that for the last three weeks, since the national election overwhelmingly won by the Sandinist National Liberation Front, they have encountered many obstacles in trying to leave the country.

The Sandinist government has not announced any new policy on travel by opposition figures, but one appears to be in effect. Senior government officials did not respond to requests for interviews on the subject.

Lieutenant Miguel Necochea, spokesman for the Interior Ministry, said Friday that the government had no list of people to be prevented from leaving the country. "We have no policy of denying visas to anyone," he said.

As far as could be determined, all of the opposition leaders who recently have encountered travel difficulties have ties to the Democratic Coordinator, a coalition of political parties, labor unions and business groups that incurred the wrath of the Sandinist Front when it refused to take part in the recent electoral campaign.

The coalition nominated Arturo José Cruz, an economist, for president, but then refused to register his name on the ground that the government was not allowing political rivals enough freedom.

At times in the past, the government has temporarily restricted travel for some opposition leaders, but no such restrictions are known to have been imposed in the last year. Under emergency powers adopted after the outbreak of civil strife three years ago the government has some powers to restrict travel by Nicaraguan citizens, but it has not invoked them.

Travel among Central American countries is common, and many businesses rely on commerce within the isthmus. Nicaraguan opposition leaders and the Sandinists often travel in search of international support for their political positions.

Some of those who have been

### U.S. Asserts Czechoslovak Jets May Be Bound for Nicaragua

Washington Post Service

**WASHINGTON** — The United States has spotted crates of Czechoslovak L-39 jet trainers on the docks at the Bulgarian seaport of Burgas and intelligence officials think they are destined for Nicaragua, according to government officials.

The officials refused to discuss why the planes were thought to be headed for Nicaragua.

A similar report that Soviet MiG fighters were on their way to Nicaragua led the Reagan administration to warn the Sandinist government in early November that the United States would not tolerate the acquisition of such advanced jets.

But the MiG report has not been borne out. The ship that allegedly was carrying the MiGs has docked in Nicaragua, unloaded under U.S. surveillance and steamed off toward other ports.

The L-39 is a two-seat trainer plane that can be converted to a light bomber. It has a combat radius of about 300 miles (486 kilometers) and has fittings for bombs, rockets and guns.

U.S. officials said they think that Libyan leader, Colonel Moamer Qadhafi, is the source of the L-39s. According to Pentagon officials, Colonel Qadhafi has more Soviet planes than he has trained pilots to operate them.

Officials said there are "a few" L-39s in Bulgaria that have been awaiting shipment for some time. They declined to say how U.S. intelligence concluded the L-39s were headed for Nicaragua or how they came to suspect the source as Libya.

unable to leave Nicaragua said they thought that the government's main goal was to prevent them from denouncing the Sandinists in foreign countries. Others speculated that because the government fears an imminent invasion from the United States, it may want to be sure opposition leaders are in the country when it comes. The United States has denied that any invasion is planned.

"Perhaps they would use us as hostages if anything were to happen in the country," suggested Juan Ramon Aviles, a lawyer who works for the Superior Council of Private Enterprise, Nicaragua's main business federation.

Mr. Aviles and several leaders of the council, which is known as Cosep, are among those who have had trouble leaving the country. Enrique Bolanos Geyer, who said his passport was mutilated after he presented it at the Managua airport, is the group's president.

Lieutenant Granera said he was

not authorized to give any information about government policy on travel for opposition figures. But one of his aides, Lieutenant Ruth Zepeda, said the agency "is not preventing anyone from leaving."

Several other opposition leaders, such as Luis Rivas Leiva of the Social Democratic Party, Erick Ramirez of the Social Christians, and Jose Espinoza of the Confederation for Trade Union Unity, said they had received no responses to requests for visas, new passports, or passport renewals.

"Under their emergency powers, they have the right to keep people from leaving," said Mr. Aviles. "I wish they would just publish a list and tell us which people are forbidden to leave and for how long, so we don't go through this charade."

■ Radio Said Censored

The authorities have placed new censorship rules on a Roman Catholic radio station that has been broadcasting homilies by church officials critical of the government, the radio's manager told The Associated Press in Managua.

The move was the latest in a series of measures tightening censorship on Nicaragua's news media, following a relaxation of the controls before the Nov. 4 general election. The restrictions were announced as part of a military state of alert declared by the government Nov. 12 because of fears of a U.S. invasion.

Neiba Blandon, head of the censorship office in the Interior Ministry, called Radio Católica on Friday to notify the station that the homilies it transmits every Sunday must be submitted to censors in advance, the radio manager, Alberto Carballo, said.

In other developments, news agencies reported:

• Edgar Chamorro, a leader of the Honduras-based Nicaraguan Democratic Force, confirmed Saturday that he had received a letter informing him of his dismissal from the rebel group's directorate. Mr. Chamorro, who had been criticized by Honduran officers and U.S. Central Intelligence Agency advisers because of his often frank descriptions of insurgent actions, said he thought he had been dismissed at the behest of the CIA.

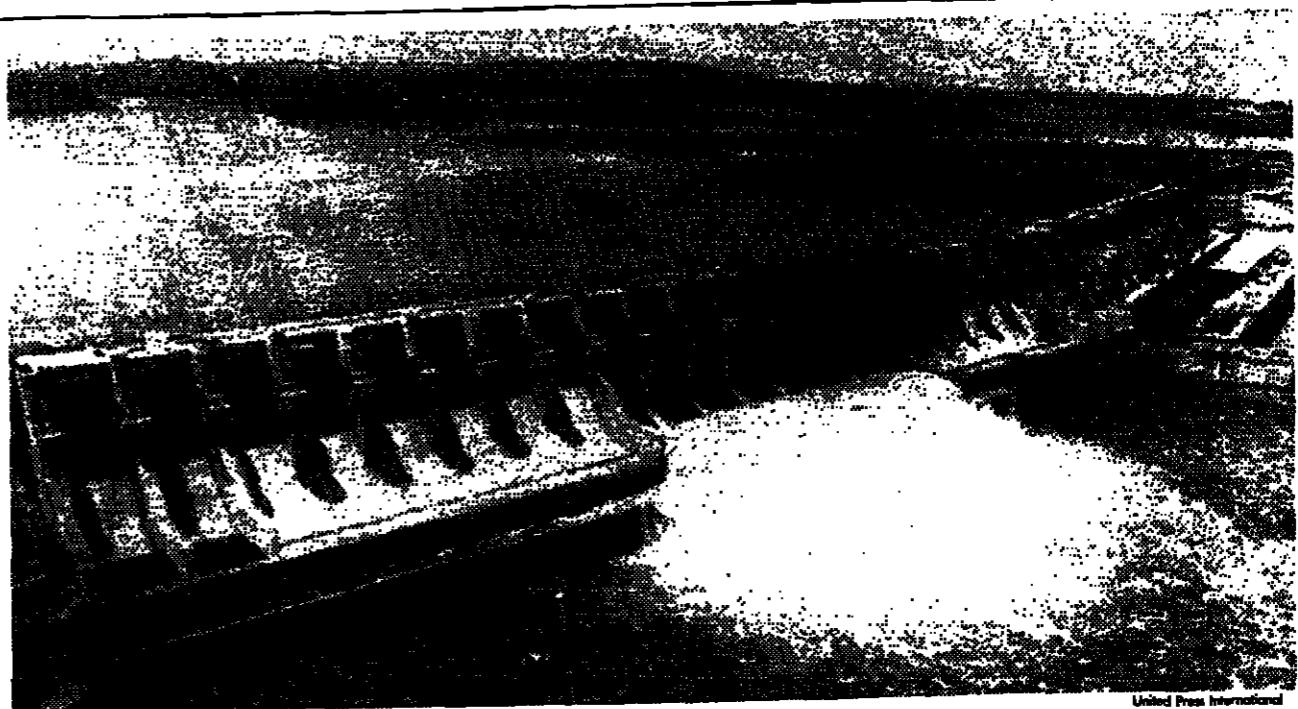
(WP) • Daniel Ortega Saavedra, the coordinator of Nicaragua's ruling junta, said Friday night on a radio broadcast from Managua that the U.S.-backed rebels have caused \$400 million in direct damage to Nicaragua's economy. (AP)

• Nicaragua proposed a non-aggression pact with the United States at a meeting in Mexico last week, but the U.S. envoy, Harry W. Shlaudeman, rejected the idea. Nicaraguan sources close to the talks said,

(Reuters)

many others detained temporarily. The display of force followed other government moves in the last several weeks that are seen as attempts to silence the political opposition, drive leftist parties underground and remove criminals and activists from the streets.

Hundreds of people have been arrested in their homes or offices and interrogated in barracks or secret police installations. There have been isolated reports of torture, although none of deaths.



TURNED ON — One of the world's largest dams, at Tucurui in Brazil, was inaugurated last week by President Joao Baptista Figueiredo. It will supply power to an industrial and mining project in the eastern Amazon.

## Dozens Arrested in New Chilean Raids

Washington Post Service

**SANTIAGO** — Convoys of heavily armed police and troops backed by helicopters have raided at least seven neighborhoods, arrested dozens of persons and threatened violent repression of any demonstration against the government of President Augusto Pinochet.

In the widest-ranging military operation since General Pinochet declared a state of siege Nov. 6, districts of low-income housing

around Santiago were invaded almost simultaneously Saturday.

The object of the raids appeared to be to intimidate residents with a show of force only three days before planned nationwide anti-government demonstrations.

The authorities had offered no information by late Saturday on the raids, and Chilean media had not been allowed to report on them.

Officials at the Chilean Human Rights Commission said that at least 50 people had been jailed and

many others detained temporarily. The display of force followed other government moves in the last several weeks that are seen as attempts to silence the political opposition, drive leftist parties underground and remove criminals and activists from the streets.

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not go out to discuss who is going to talk first, who is going to talk second."

Mr. Duarte also put aside the possibility of an early cease-fire in the five-year civil war.

"I believe that a cease-fire is the last part of the process of peace," he said. "I would not consider any possibility of a cease-fire until we have the answer of the guerrillas to change their concept of obtaining power through violence."

He said a cease-fire would come after the rebels had agreed to incorporate themselves into "the democratic process."

Mr. Duarte proposed and attended the first meeting with leaders of the leftist rebel groups last month in the northern town of La Palma amid high hopes and widespread publicity.

His decision not to attend this week's meeting appeared to indicate acceptance of the rebel proposal three weeks ago that both sides send low-level delegations to discuss guidelines and a agenda for future talks.

Mr. Duarte said he already had decided who would be in the government delegation to the talks but he declined to identify them.

"This is a committee meeting," he said. "This is not a place I should go. This is to discuss the mechanisms and the president will

told Mr. Duarte that the army would not accept a cease-fire or other arrangements that might limit its military action unless such measures were explicitly approved by the army itself.

Mr. Duarte said he expected the rebels to reply to a written proposal he made in La Palma that called for the creation of a joint commission to discuss ways for the rebels to join the political process and to enact a general amnesty.

The Salvadoran leader's decision not to attend the talks may indicate a more cautious approach to the negotiations. Such caution might have been prompted by growing criticism from conservative business and political leaders, some of whom are known to have urged army commanders to oppose negotiations with the guerrillas.

### ■ Rebels Attack Coffee Plant

Leftists guerrillas damaged machinery in a major coffee processing plant near Chalchuapa, 50 miles (80 kilometers) west of San Salvador, late Friday but were driven back in another attack on the 5th of November Dam, 45 miles northeast of the capital, military sources told The Associated Press.

## In New Caledonia, Separatists Set Up a Regime

By John Vincour  
New York Times Service

**PARIS** — Separatists on the French island of New Caledonia announced the creation of a called provisional regime Sunday, leading five former French prime ministers, all Gaullists, to denounce what they said was the Socialist government of France's failure to cope with an insurrectional situation."

Violence continued in the South Pacific territory, according to French news agency dispatches, accelerating what has become a volatile political problem for President François Mitterrand. More than 20 years after France left Algeria following a colonial war, the Socialist government was faced with accusations of turning its back on New Caledonia's Europeans, who make up 37 percent of the population of 140,000.

Disputes from Nouméa, the

territorial capital, said the leading organization favoring independence, the Kanak Socialist National Liberation Front, announced the creation of a provisional government, which the group described as "setting up the basis for the future state of Kanaky."

In a Sunday morning debate in the Senate in Paris, where the budget for French overseas possessions was under discussion, opposition senators held the Socialist government responsible for the "insurrectional situation" in New Caledonia. Charles Pasqua, the Gaullist floor leader, asked Georges Lemoine, the president's cabinet-level official responsible for overseas territories, "What do you intend to do against this independentist government that has set itself up illegally against the authority of the Republic?"

But the violence intensified when an anti-independence party, allied to the Gaullists and made up largely of Europeans, won a clear victory. Mr. Mitterrand's government

has indicated that it would not contest an attempt by the Kanaks to have the election canceled. The front maintains that only Kanaks may participate in any vote on self-determination.

Sensing Mr. Mitterrand's growing political weakness following the botched withdrawal of French and Libyan troops from Chad, the opposition has seized on the situation in New Caledonia, portraying it as a new example of the government's weakness and incompetence. This was the theme of a statement issued Sunday by five former Gaullist prime ministers, Michel Debré, Maurice Couve de Murville, Jacques Chaban-Delmas, Pierre Messmer and Jacques Chirac.

They called on Mr. Mitterrand not to become involved in a movement toward independence that they said was rejected by the majority.

## A.F. Vatchenko Dies; Ukraine Leader Was 70

The Associated Press

**MOSCOW** — Alexei F. Vatchenko, 70, president of the republic of the Ukraine and one of 15 deputy presidents of the Soviet Union, has died. Soviet television has announced.

Mr. Vatchenko had been a member of the Communist Party Central Committee since 1966 and chairman of the presidium of the council of ministers of the Ukraine or president, since 1976.

That post automatically made him the equivalent of a national vice president, along with the presidents of the 14 other Soviet republics. His death was announced Thursday.

### ■ Other Deaths:

Viktor D. Ulyanov, 67, a nephew of the first Soviet leader, Vladimir I. Lenin, died Thursday, newspaper sources announced Sunday. Moscow's Pravda said Mr. Ulyanov had been an active role in maintaining Moscow's Lenin museum and other Lenin memorials.

Arvid Jansons, 70, conductor of the Leningrad Philharmonic, died Wednesday of a heart attack while in Manchester, England, to conduct the city's Hallé Orchestra, the orchestra announced.

### Spain Rightists Honor Franco

Reuters

**MADRID** — An estimated 50,000 rightists marched through Madrid on Sunday to mark the ninth anniversary of the death of Franco, who ruled Spain for 36 years. Many of the marchers wore paramilitary uniforms.

**SKY CHANNEL**

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PROGRAM, MONDAY 25TH NOVEMBER

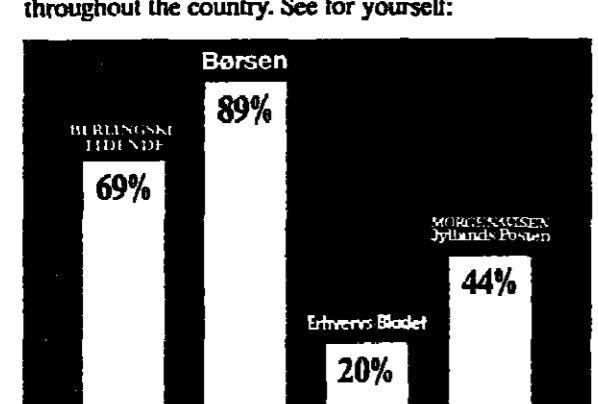
UK TIMES 15.00 SKY MUSIC BOX  
16.00 SKY MUSIC BOX PREMIERE  
17.00 SKY-FI MUSIC  
18.00 GREEN ACRES  
18.30 THE BRADY BUNCH  
19.00 THE GREATEST AMERICAN HERO  
19.30 VENUS  
20.45 THE UNTOUCHABLES  
21.35 ICE HOCKEY  
22.40 SKY MUSIC BOX

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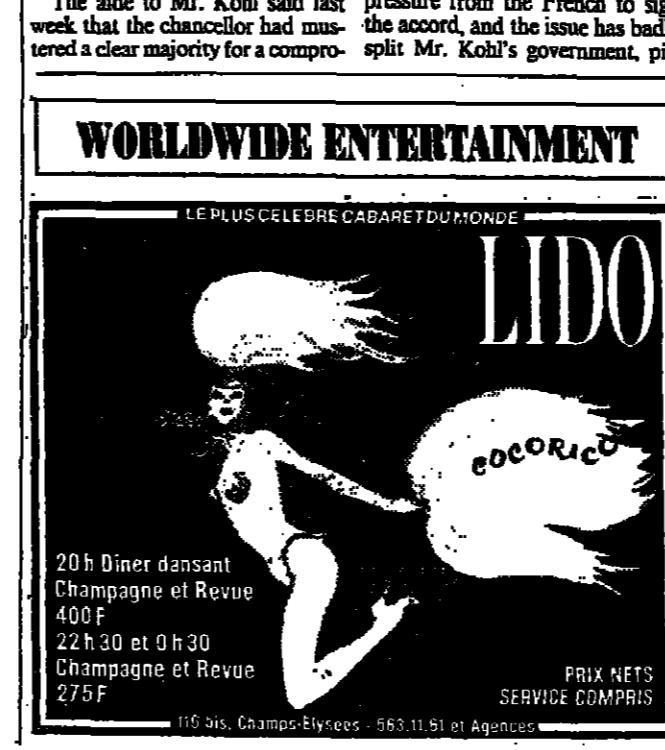


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## Conditions at Ethiopian Camp Are Better, at Least for Now

By Clifford D. May  
*New York Times Service*

MAKALLE, Ethiopia — The scenes of horror are still there: a mother thrusts her baby at a visitor so that he may better view its loose, sores-covered skin and sunken, yellowed eyes.

Old men, sitting on the ground, their faces vacant, look as if they are waiting for the dust to claim them. Rows of wasted bodies covered with ragged shrouds and innumerable flies, the dawn harvest of another night of hunger in this northeast African nation.

But that is no longer the only kind of scene a visitor sees in Makalle, the site of one of Ethiopia's largest famine refugee populations, about 300 miles (480 kilometers) north of the capital of Addis Ababa.

Hundreds of infants at Makalle are eating vitamin-enriched porridge and high-calorie biscuits. Older children are running and playing. Neat rows of white tents provide families with shelter from the evening cold, and doctors and nurses tend the sick.

"We've come a long way in a short time," said Sister Margaret of Catholic Social Action, a relief agency working in Makalle.

"The feeding program is working," she said. "The children in particular are responding very

well." The question is whether the ground gained here and other famine-relief centers can be held.

Ethiopian government officials say that in recent days the flow of emergency food supplies gathered in an international relief effort that includes the United States and the Soviet Union has begun to taper off dangerously. It is possible, they say, that within a matter of weeks, many of the camps and feeding centers may begin to run short.

"There is hardly anything left in the port to clear away," said Tafari Wassen, of the government's Rescue and Rehabilitation Commission. "And many airplanes that should be delivering grain are now not in use."

The lives of six million to seven million people are believed to be at risk in this country, whose total population, according to an unpublished census, is more than 42 million.

Since late October, death rates in many camps have fallen by as much as two-thirds. Relief officials say, however, that the progress at centers like Makalle is only part of the story. Eighty-five percent of the Ethiopian population, they say, lives in rural areas, and 60 percent of those people are more than two days' walk from the nearest road. That means tens of thousands of famine victims will never be able to reach the help they need.

Western experts estimate that half a million Ethiopians are now receiving food every day in about 100 refugee camps and feeding centers.

"For three years now, I have grown almost no crops at all," said Berke Abraha, a rail-thin 44-year-old farmer from Koya, a village several hours' walk from Makalle.

"So my wife and my four children came here for food. We are thankful. We thank God for the help we are receiving."

At Makalle, 30,000 to 40,000 refugees are receiving help in five separate camps, and 15,000 more people are in the process of applying for admission. Hundreds arrive every day.

"Things are getting organized slightly," said Bekele Genene, a 30-year-old Ethiopian medical resident who is serving as a volunteer at Makalle. "For the moment, we have enough food, and that makes an enormous difference. We're setting up clinics in all the camps. We do more medicine, though. We haven't nearly enough medicine."

In Tigre province, of which Makalle is the capital, as in Eritrea to the north, guerrilla activity by secessionist rebels continues just beyond the outskirts of the cities, complicating the process of getting food to people and people to food.

The conflict at Makalle, which is 7,320 feet (2,230 meters) above sea level, is guarded by tanks and helicopters.

But the largest obstacle to the success of the Ethiopian rescue effort is almost certain to be the famine's duration. An emergency is expected to continue in this country for at least the next 12 months.

Only half as much aid as will be required over that period, according to many estimates, has been donated or pledged.

Western diplomats say that the cost of keeping Ethiopia fed until the end of 1985 will be more than \$500 million. And there is no guarantee that the famine will not extend through 1986 or longer.



*The Associated Press*  
A child with a cooking pot sits with other children at a famine relief center at Makalle, in Ethiopia's Tigre province.

## 6 Are Killed as Philippine Troops Battle Moslem Family in Zamboanga

*United Press International*

ZAMBOANGA, Philippines — Philippine soldiers and a Moslem family fought a gunbattle Sunday in central Zamboanga that left six people dead and 13 wounded before an overnight truce was negotiated.

The battle appeared to be related to the slaying of the city's mayor, Cesar Climaco, on Nov. 14. Sources said members of the Moslem family were among the suspects in the murder.

The family, which the authorities said has about 100 members, remained barricaded for the night in a compound that includes a wall enclosing two houses and several shacks.

A Red Cross volunteer who spoke with some of the wounded said that 20 to 30 members of the family were armed and as many as 40 children were in the compound.

The house is owned by the brother of a Moslem police lieutenant, Abdul Rasad Ali, who was killed Oct. 10 by unidentified gunmen at a military checkpoint near Mr. Climaco's home.

Military sources said the Ali family believed that Mr. Climaco was responsible for the lieutenant's death. Members of the clan were suspected of plotting the mayor's murder in revenge.

The party newspaper, *Renmin Ribao*, or People's Daily, gave prominent display Saturday to a directive by the party's "rectification" committee calling on all branches to "earnestly carry out organizational work for re-registration."

The territory, joined to Ethiopia in a United Nations-sponsored federation, was annexed in 1962. The rebels say they control 80 percent of Eritrea.

The government describes the rebels as bandits and calls the association's allegations "a monstrous lie" and says government relief centers are feeding people.

The association said that private relief agencies had been discouraged from working in Eritrea and that Ethiopian jets and helicopters had been bombing animals and crop fields to destroy civilian food sources on which the Eritrean rebels depend.

"We are entering a critical period," the association said in the messages. "The number of people on the verge of death due to starvation has reached more than half a million. Another one million people are also going hungry."

The association, based in Khartoum, Sudan, said it was the agency responsible for the distribution of relief aid to the parts of Eritrea under the control of the Eritrean People's Liberation Front, the main rebel group fighting for independence since 1961.

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The government has denied the allegation.

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"It is not government policy to bomb animals on which the livelihood of our people depend," said Tamene Eshete, Ethiopia's chargé d'affaires in Washington. It is the rebels, he said, who are disrupting food distribution with "armed raids on food supplies for their personal need."

Paulos Tesfa Giorgis, chairman of the Eritrean Relief Association, has been on a weeklong visit to the United States to meet with relief agency officials and argue for more food.

In an interview, he said less than 11,000 tons of grain were now being distributed in Eritrea, scarcely enough to feed 500,000 people for a month.

Mr. Giorgis said his group was urging governments to press for a cease-fire to permit the unhindered distribution of food. Lieutenant Colonel Mengistu Haile Mariam, the Ethiopian leader, recently ruled out such a truce.

Mr. Giorgis said he felt the government, not the drought, was to blame for the shortages.

"Drought is not totally new to Eritrea," he said. "But in the past we have been able to take care of the animals and the crops."

An air force helicopter fired at the six boats, killing at least four rebels, police said. Other guerrillas

said, but the Americans were believed to be alive.

A police spokesman said the abductors had given the authorities 15 days to meet their ransom demands.

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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## North-South Good Sense

Producers in the industrialized countries are increasingly strident in their demands for protection from goods made cheaply in the Third World. In this, if in nothing else, they are supported by organized labor. It is a striking combination of what Bentham to whom the market economy owes so much, called "sinister interests."

This protectionist lobby advances two arguments against the alleged flood of cheap imports. The poorer countries are dumping goods by charging prices that do not cover their costs and making up the difference with subsidies from their governments. Alternatively, and more simply, their T-shirts, steel and transistors are unfairly cheap because they are produced by sweatshop labor.

If subsidized dumping is the problem, it should be possible to use existing international procedures in GATT for investigating complaints. If complaints are substantiated, compensatory action can be taken by the importing country. The procedure takes time, as the law often does, but there is no excuse for plaintiffs to take the law into their own hands by unilateral defensive measures.

If sweatshop labor is the problem, we need to depend less on internationally agreed procedures and more on economic common sense, a commodity in short supply when traditional jobs — and featherbedding — are threatened in the mature countries. The governments of the well-to-do become defensive because the status quo always seems worth preserving. Every threatened industrial sector (which means a sector that ought to make more effort than it is actually doing) seems to be a highly important marginal constituency. Nobody seems to realize that protecting marginal firms and workers in one sector puts at risk the prosperity of enterprises in other sectors.

There is a touch of the ludicrous in all this — a touch of Marxism more akin to Groucho than to Karl. To start with, the size of the problem is not huge. Most goods that the

rich countries consume are made at home or imported from other rich countries. Only about one-tenth of the manufactures they import come from the newly industrializing countries (the NICs); the proportion is much lower when these imports are compared with the total amount the rich consume. Even in textiles and clothing, only about 5 percent of what the rich countries wear is imported from the poorer countries. If the problem lies in very low wages, the less the rich buy from the poor the more likely it is that wages in the NICs will stay low. The problem is only exacerbated.

In most respects, rejecting imports from the NICs runs clean against the major economic interests of the rich.

Many NICs are in debt to the hilt. Refusal to buy their goods means they will not be able to service their debts, with dire implications for the world banking system. When the rich are battling against inflation, repelling cheap goods is nonsensical. And when the rich are battling against unemployment, protectionism amounts to cutting off your nose to spite your face: Reducing NICs' export earnings simply reduces their purchases of capital goods made by the rich.

There is little evidence that protection accelerates the process by which threatened industries make themselves more competitive; if anything, the reverse is true. And, like so much intervention, it tends not to help the people for whom it is designed. Keeping out foreign footwear usually raises the profits of the already profitable shoe manufacturers. The weaker ones still go under.

The rich countries have to decide what sort of economies they want. Do they really want artificially to preserve low-productivity, low-interest jobs for their people and to discourage up-market specialization? Should they try to ensure that their children will still enjoy the dubious privilege of making T-shirts and low-quality shoes?

INTERNATIONAL HERALD TRIBUNE

## Afghanistan in Custody

Afghanistan ostensibly remains an independent country, with its own flag and a seat at the United Nations, but the reality is otherwise. A puppet Communist government toters in Kabul, held in place by 110,000 Soviet troops. What was supposed to be a limited intervention in 1979 has lasted longer than the Soviet Union's war against Hitler. The invaders have made four million Afghans stateless refugees in Pakistan and Iran — one-fourth of the population they allegedly came to assist.

In a now pious annual ritual, the United Nations has again admonished the Soviet Union with a gently worded resolution that calls for the withdrawal of "foreign troops." The General Assembly passed it for the fifth time, 119-20, with 14 abstentions. That is three more ayes than in 1983, which will hardly deter the Soviet Union from struggling it off again.

Indeed, the Kremlin no longer even troubles to pretend that Kabul is a sovereign capital. Moscow bypassed it in ordering the release of a French journalist, Jacques Abouchar, who had been seized in Afghanistan in September and sentenced to 18 years imprisonment.

Moscow insists that Soviet troops are only supplementing the military campaigns waged by a conscripted Afghan army. That is a lie.

— THE NEW YORK TIMES.

## The Fed Prods the Rates

The U.S. Federal Reserve Board, by dropping its discount rate half a point, is trying to lead the financial markets toward lower interest rates. It can lead markets but cannot force. It customarily moves one step at a time, then pauses to see whether lenders and borrowers are following. On the upswing the Fed raises the discount rate until investors see the economy slowing and other interest rates, set in the daily auction of the markets, begin to fall. On the downswing it often drops its discount rate until the market rates begin to rise. Now it is trying to push the economy into a renewed cycle of growth after several months' pause. If it follows past practice, it will move the discount rate down until the markets rebel and begin to raise their own interest rates.

By its nature a central bank can always act faster than the government's other levers of economic management, such as the cumbersome apparatus of taxing and spending. But while the Fed now acts, the rest of the administration limits itself to advice and criticism. The government's machinery for setting economic

— THE WASHINGTON POST.

## FROM OUR NOV. 26 PAGES, 75 AND 50 YEARS AGO

### 1909: St. Catherine's Merry Maids

PARIS — "Why look, they're keeping up Thanksgiving Day!" said an American to his companion as he walked across the place Vendôme [on Nov. 25]. Glancing up at the open windows of MM. Beer, the dressmakers, he could see a number of young people dancing to the strains of what was evidently an improvised band. But the young people were not celebrating Thanksgiving Day. They were keeping up the Sainte Catherine, a good lady whom Parisian dressmakers have made their patron saint. Obviously Sainte Catherine is the patroness of old maids, those who are over twenty-five years of age or those who are supported by their younger comrades to be on the shelf. Champagne and cakes appear and a merry dance ends the final hours of the day instead of the inevitable stitch, stitch, stitch.

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By Flora Lewis  
**B**EIJGRAD — In the first days of November, I traveled to Yugoslavia, where he was four and a half years later, that nothing happened. Now, like this, some things must change.

What? The issue is who decides the talk is over now, and the future. There is a struggle for the leadership about the way the society and the state, about tough economic problems, much worse than what other countries have endured without delay.

The first step in large, open, questions put about the size of the country, the economy, the role of the single party and other Communist state has to be an open public discussion.

Yugoslav Communists are of what they call the original system. They have had historical differences on alternative concepts of what is just and what is not.

But they are divided as whether to be pushed or not by the display of disagreement. This would not be tolerated long.

The one point of agreement, economy is not working right.

That means workers will work.

A crucial problem is finance and inflation. Some say the authority has disappeared.

Operation that took a big one year was taken in. This year, no progress, a battle is still on.

The emergence of the power of domination by the

central government.

The central policies and the

most important of the last

two years, so much help for them, so that nothing

has been done. The system

is not working, it's not

working well.

There is a lack of confidence

in the economy.

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# Pan Am's New Clipper Class. The Million Dollar Experience.



One million dollars. That is how much we are spending on refurbishing each Pan Am 747.

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movie buffs needn't worry, in its place is a brand new Sony video system.

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## International Bond Prices - Week of Nov. 22

Provided by White Weld Securities, London, Tel.: 623-1277; A Division of Financière Crédit Suisse-First Boston  
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### RECENT ISSUES

Am	Security	Day	Issue Pr.	Mkt Pr.	Yield	Yield	Am	Security	Day	Issue Pr.	Mkt Pr.	Yield	
015	Toronto-Dominion Bank	11/15	10 May	1110	12.3	12.3	018	Newfoundland Province	9/10	10 Jun	1110	12.3	12.3
016	Philips Chemicals W/w	20/15	10 May	1080	12.4	12.4	019	Deutsche Bank Lst X/w	4/10	10 May	750	12.5	12.5
017	10% Eurobonds	11/15	10 May	1110	12.5	12.5	020	Dresdner Finance	11/10	10 Apr	750	12.5	12.5
018	South Africa Bonds	11/15	10 May	1110	12.5	12.5	021	Gesellschaft für Kreditwesen	11/10	10 Apr	750	12.5	12.5
019	Pacific Bond Fund	12/15	10 Jun	1110	12.5	12.5	022	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
020	Wells Fargo Co	12/15	10 Jun	1110	12.5	12.5	023	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
021	Chemical Financial Corp.	12/15	10 Jun	1110	12.5	12.5	024	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
022	Bank Of Tokyo Carusco	12/15	10 Jun	1110	12.5	12.5	025	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
023	Bank Of Tokyo Carusco	12/15	10 Jun	1110	12.5	12.5	026	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
024	Credit Suisse Ftn X/w	12/15	10 Jun	1110	12.5	12.5	027	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
025	Credit Suisse Ftn X/w	12/15	10 Jun	1110	12.5	12.5	028	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
026	British American Ponds	12/15	10 Jun	1110	12.5	12.5	029	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
027	Credit Suisse Ftn X/w	12/15	10 Jun	1110	12.5	12.5	030	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
028	British American Ponds	12/15	10 Jun	1110	12.5	12.5	031	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
029	British American Ponds	12/15	10 Jun	1110	12.5	12.5	032	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
030	British American Ponds	12/15	10 Jun	1110	12.5	12.5	033	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
031	British American Ponds	12/15	10 Jun	1110	12.5	12.5	034	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
032	British American Ponds	12/15	10 Jun	1110	12.5	12.5	035	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
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066	British American Ponds	12/15	10 Jun	1110	12.5	12.5	067	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
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069	British American Ponds	12/15	10 Jun	1110	12.5	12.5	070	Hessische Landesbank	11/10	10 Jun	1120	12.5	12.5
070	British American Ponds	12/15											

# EUROMARKETS

A SPECIAL FINANCIAL REPORT — PART I

MONDAY, NOVEMBER 26, 1984

Part II Will Appear  
In Tomorrow's Editions

Page 9

## New U.S. T-Bonds: Has Treasury Found Big Europe Market?

By Sheiry Buchanan

GENEVA — In its effort to get Europeans to help finance the U.S. deficit, the U.S. Treasury plans to issue on Nov. 28 \$1 billion of U.S. five-year semi-anonymous Treasury bonds targeted for foreign investors. Simultaneously, the Treasury will issue \$6 billion worth of bonds in the U.S. market.

It will be the second issue of Treasury bonds targeted for foreign investors, who do not pay withholding tax. Last July, Congress voted to repeal the 30-percent withholding tax foreigners had to pay on interest after the Treasury argued that it was a deterrent to foreign investors. In August, in spite of political opposition, new regulation allowed the Treasury to issue bonds that would, to a certain degree, preserve the buyer's anonymity.

Before the new regulation, the buyer of Treasury bonds had to declare who he was. The bonds were called registered bonds. To quiet Congressional fears that the bonds would be used by U.S. tax evaders, the regulation requires banks in Europe purchasing bonds for their clients to file a declaration to the Treasury certifying that the buyer is not a U.S. citizen.

As long as the dollar remains a strong currency, most brokers and investment houses in Europe say that they are bullish on the Treasury bonds. But it remains unclear whether the Treasury has found the expanding new market in Europe it is looking for. At the end of 1983, non-American investors already held 16-17 percent of the U.S. outstanding debt. Foreign buyers of Treasury bonds include central banks and large institutions, like European pension funds, that by law have to invest a certain percentage of their portfolios into government bonds. These institutions do not care about anonymity. As

long as these institutions prefer the dollar to other currencies, there is every reason — and added incentive after the repeal of the withholding tax — for them to continue to buy Treasury bonds.

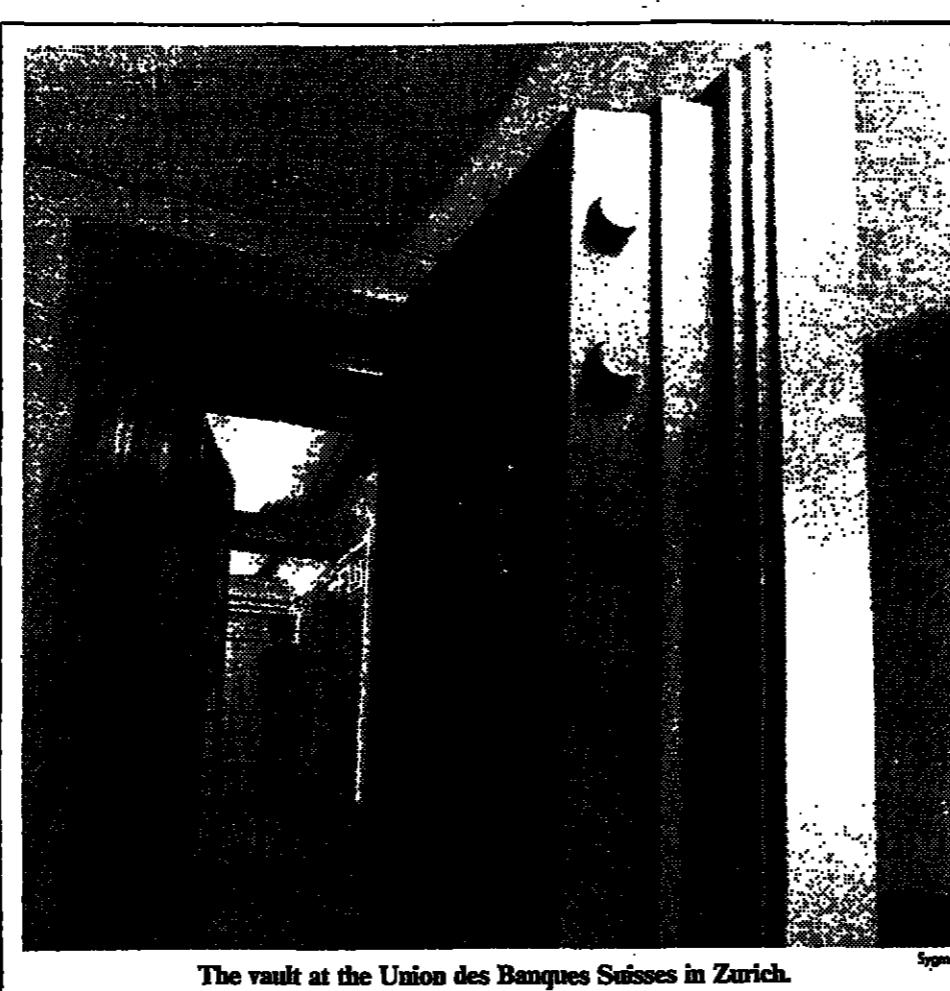
The question is whether the individual investor and the smaller institutions that put a premium on anonymity will prove to be the new purchasing power behind Treasury bonds by buying them in great numbers.

For several reasons, it is difficult to judge the level of new interest from individual investors after the first issue of four-year Treasury bonds targeted for foreign investors late in October.

The first foreign-targeted Treasury issue was not put on the market under the best of conditions. A week before the issue, the Internal Revenue Service (IRS) ruled that U.S. corporations that had issued Eurobonds between June 22 and July 18 — technically a legislative, no man's land — had to pay the withholding tax on interest. Issuers who had assured buyers that they would not have to pay the withholding tax might have been caught and forced to pay the tax themselves without the intervention of the Treasury promising to speed up appeals to the IRS. For the Treasury, it was a poor show of keeping promises at a time when the U.S. government was intent on reassuring foreign investors.

According to some brokers, the issue has not sold well, at least not in the initial phase. But it may be that the issue was too expensive, not that anonymity-hungry investors feared the U.S. tax man. By all accounts, the dealers overbid and pushed the price of the European issue way up over the domestic issue. According to Credit Suisse First Boston, which was a main bidder for its clients at the Treasury.

(Continued on Next Page)



The vault at the Union des Banques Suisses in Zurich.

## Delays in Bond Clearances Bring Calls for Procedure Change

By Amiel Kornbl

interest rates and best manage their money.

PARIS — Settlement delays in the daily transfer of some \$600 million of cash and securities between Cedel and Euroclear, the rival international clearing houses for bond transactions, are prompting traders to demand a revision of the procedures causing the problem.

More than just a technical amendment is at stake. Traders who have studied the question believe that the delay limits their ability to take advantage of overnight

"We discuss and we don't advance," said Georges Muller, director of Luxembourg-based Cedel, when asked about the state of the 10-month-old negotiations. "We would like to see this amendment take place very quickly."

Euroclear declined to comment on the state of the negotiations, except to say that the talks are "ongoing." "Those systems discussions are inevitably going to take a long time," said Tom Fox, vice president and general manager of

the Euroclear Operations Center in Brussels.

The bridge permits a dealer with an account at one clearing house to electronically settle a trade with a dealer using the other. "It is not entirely satisfactory," said one trader who requested anonymity.

"Users are suffering, but most don't know it," he added.

Asked about the reports, Marshall Stappers, chairman of the settlements committee of the Association of International Bond Dealers, said: "I know that there is a prob-

lem with delay of payments with the bridge... I have heard complaints from other dealers."

Morgan Guaranty Trust Co. manages and operates Euroclear and its associated cash and securities accounts. Euroclear has about 1,500 participants and expects to reach a turnover of \$725 billion in 1984.

Morgan created the service in 1968, when it became apparent that the growing Eurobond market needed a speedy and secure system to clear and settle transactions.

Upon making a deal, international traders can exchange securities and cash by simply notifying Euroclear to make a transfer between their accounts at Morgan Bank in Brussels.

Cedel was founded in 1970 as a cooperative by banks concerned about the dominance that Morgan Guaranty held over trade settlements. Cedel has attracted about 1,400 clients.

By introducing competition into the clearing system, traders hoped

(Continued on Next Page)

<p><b>U.S. \$ 250,000,000</b> <b>DADE SAVINGS AND LOAN ASSOCIATION</b> <i>13 1/4% Collateralized Deposit Notes Due 1989</i></p>	<p><b>U.S. \$ 180,000,000</b> <b>JAPAN AIR LINES COMPANY, LTD.</b> <i>13 1/4% Guaranteed Bonds Due 1994</i> Unconditionally and irrevocably guaranteed as to payment of principal and interest by <b>JAPAN</b> Issue Price 100%</p>	<p><b>U.S. \$ 75,000,000</b> <b>THOMSON-BRANDT INTERNATIONAL B.V.</b> <i>13 1/4% Guaranteed Notes due 1996</i> with 75,000 Warrants to purchase 13 1/4% Guaranteed Bonds due 1991 Notes and Bonds unconditionally guaranteed by <b>THOMSON S.A.</b> Issue Price of the Notes 100% Issue Price of the Warrants U.S. \$ 12.50</p>	<p><b>U.S. \$ 100,000,000</b> <b>NIPPON TELEGRAPH &amp; TELEPHONE PUBLIC CORPORATION</b> <i>11 3/8 % Guaranteed Notes due 1990</i> Offered Price 100% Unconditionally and irreversibly guaranteed as to payment of principal and interest by <b>JAPAN</b></p>
<p><b>U.S. \$ 125,000,000</b> <b>CENTRUST SAVINGS AND LOAN ASSOCIATION</b> <i>Secured Adjustable Rate Notes Due 1994</i></p>	<p><b>ECU 50,000,000</b> <b>IRELAND</b> <i>10 1/4% Bonds due 1994</i> Issue price 100%</p>	<p><b>Issue of up to U.S. \$ 200,000,000</b> <b>BANQUE PARIBAS</b> <i>Undated Floating Rate Securities</i> <b>U.S. \$ 150,000,000</b> of which are being issued as the Initial Tranche Issue Price for the Initial Tranche 100%</p>	<p><b>EBC</b> <b>EBCO FINANCE B.V.</b> <i>ECU 40,000,000</i> <b>11 1/4% GUARANTEED BONDS DUE 1993</b></p>
<p><b>Up to U.S. \$ 150,000,000</b> <b>A.F.I. ATLANTIC FINANCIAL INTERNATIONAL N.Y.</b> <i>Secured Adjustable Rate Notes Due 1994</i> of which \$ 100,000,000 is the Initial Tranche Secured by a Collateralized Deposit Certificate issued by <b>ATLANTIC FINANCIAL FEDERAL</b> Issue Price of the Initial Tranche 100%</p>	<p><b>U.S. \$ 125,000,000</b> <b>FIRSTFED OF MICHIGAN INTERNATIONAL N.Y.</b> <i>13 1/4% Notes Due 1989</i> Secured by a Collateralized Deposit Certificate issued by <b>FIRST FEDERAL OF MICHIGAN</b> Issue Price 99 1/4%</p>	<p><b>U.S. \$ 75,000,000</b> <b>compagnie bancaire</b> <i>13 1/4% Notes due June 1990</i> Issue Price 99 1/4%</p>	<p><b>PIBA</b> <b>ECU 40,000,000</b> <b>PRIMARY INDUSTRY BANK OF AUSTRALIA LIMITED</b> <i>11 1/4% Capital Bonds due 1993</i> Issued under the New South Wales Companies Act, 1961 Issue Price 100%</p>
<p><b>PIBA</b> <b>U.S. \$ 65,000,000</b> <b>PRIMARY INDUSTRY BANK OF AUSTRALIA LIMITED</b> <i>9% Capital Bonds due 1991</i> Issued under the New South Wales Companies Act, 1961 Issue Price 92 1/4%</p>	<p><b>U.S. \$ 75,000,000</b> <b>FIRSTFED OF MICHIGAN INTERNATIONAL N.Y.</b> <i>13 1/4% Notes Due 1989</i> Secured by a Collateralized Deposit Certificate issued by <b>FIRST FEDERAL OF MICHIGAN</b> Issue Price 99 1/4%</p>	<p><b>U.S. \$ 75,000,000</b> <b>Banque Paribas Capital Markets</b></p>	

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1 January- 30 October 1984, Paribas:

- Lead managed 14 Eurobond issues for an amount in excess of \$1,316 million and co-managed 176 issues for an amount in excess of \$19,655 million.
- Arranged and acted as principal in more than 250 interest and currency swap transactions with a nominal amount in excess of \$5 billion.
- Lead managed the first collateralised floating rate Eurobond, the first foreign targeted issue by an United States issuer and the first perpetual security for a French issuer.

Banque Paribas Capital Markets



Headquarters of the World Bank in Washington.

## T-Bonds: Has U.S. Found a Large Europe Market?

(Continued From Previous Page)

surprise, its foreign-targeted bond issue, it was fairly expensive because investment bankers did not want to miss the deal. But after a week the price dropped to about five to eight basis points above the domestic issue from, according to Merrill Lynch, 20 to 30 basis points above the U.S. issue.

But some of the big Swiss banks did not participate in the issue. And some of the private Swiss banks have decided for the time being against advising their clients to buy U.S. Treasury bonds. "The Swiss are concerned there are no guarantees that the tax laws wouldn't change," said Jack Delaney, of Merrill Lynch in London. However Union des Banques Suisses (UBS) and Swiss Banking Corp. participated in the recent Federal National Mortgage Association (Fanny Mae) Eurobond issue targeted for foreign investors. Fanny Maes are issued by a U.S. gov-

ernment agency, but are not government guaranteed. However, it is unclear whether the Swiss banks participated for their own account or for the portfolios of their clients.

The Treasury has tried to accommodate the individual investor by trying to assure the buyer that there always will be a market for the bonds even if there is an unforeseen change in regulations. Forty-five days after the issue, the buyer can sell his or her Treasury bond bought in Europe back in the U.S. market. The coupon will then transfer from an annual to a semi-annual coupon.

"In case there is a problem in the U.S. commitment regarding anonymity, you can always sell your bond in registered form in the U.S. market," a Geneva-based broker said. "One billion dollars isn't that much in the U.S. market, so that way you have assured liquidity."

The argument is that, in case of a panic, if foreign investors all sell

their bonds at once, the price would drop dramatically in the European market but not if they dump them all in the U.S. market, which is a lot larger.

According to most brokers in Switzerland, the announced repeal of the withholding tax on German and French government bonds shortly following the U.S. move will have little effect on the European market for U.S. Treasuries. "The choice is not a matter of government; it's a matter of currency," another Geneva-based broker said.

"If investors are ready to go onto the Deutsche mark, then German government bonds will be a very interesting investment."

Even if the European market for U.S. Treasury bonds does not turn out to be the hoped-for bonanza, it is still a good buy for the U.S. government. "They can save a lot of money," said a Geneva-based broker. "Eight basis points below a domestic issue is still a lot of money."

## Bond Clearance Delays Bring Call for Change

(Continued From Previous Page)

one system make a trade with a dealer using the other? To overcome this problem, Euroclear and Cedel signed an agreement, called the bridge, on Dec. 1, 1980, to define the way transactions pass between them. Both systems use computers to handle and process transactions and electronically transfer money and securities to each other once a day.

They agreed that Cedel would process daily activity and communicate bridge transactions to Euroclear in the afternoon. Euroclear, on the other hand, does its processing overnight and transfers in the morning.

As a consequence, Cedel must transfer securities to Euroclear accounts a day before payment. "We lose one-day value," Mr. Muller said.

"With two-digit interest rates, dealers like to replace their own money in the market and put it back in Cedel in the morning," explained one banker. "They could use their money better than they are at the moment."

Another problem arises when the same bond is traded several times in a single day, a process called chaining. With only one transfer between Cedel and Euroclear each day, payment can be delayed as the bond makes its way to the final buyer.

With the explosive growth of the Euromarket in the last few years, the volume of trading over the bridge has grown considerably and with it the significance of any imperfections in the way the bridge functions. Euroclear's turnover increased sixfold between 1979 and 1983.

"The bridge kept static while the market exploded," Mr. Muller said. Cedel is seeking amendments in the bridge agreement that would permit it to do processing at night, and to exchange cash and securities with Euroclear several times a day. "This would bring more liquidity to the market," he said.

But Euroclear seems to find the present arrangement largely satisfactory. "The fact of life is that the bridge works very well," said Mr. Fox. He added that "there have been consistent efforts to improve efficiency" over the last 12 months.

There do not seem to be any major technical arguments against the bridge amendment, according to those who have studied the question. They maintain that processing in both systems and the transfer of transactions between them could be completed overnight in time for the opening of markets in Europe.

Euroclear finishes overnight processing around 3 A.M. or 4 A.M. But because of the terms of the bridge agreement, it only delivers transaction figures to Cedel five or six hours later. Cedel, whose processing takes about three hours, says that they could have their clients' figures ready by the beginning of the business day if Euroclear made the transfer earlier.

The competition between the two systems certainly accounts for a large part of the present impasse in the negotiations and participants believe that Cedel will remain at a disadvantage until it can assure its clients that there will be fewer settlement delays.

## World Debt Crisis Forces Banks to Change Methods

(Continued From Previous Page)

anything is for sale" mentality, Mr. Constance said.

"Not everything can be traded," observed Lawrence Brainard, senior vice president of Bankers Trust, the eighth largest U.S. bank. "But clearly our goal is to liquidify the loan portfolio. The concept of a bank wedded to a customer and keeping loans," he added, "is not consistent with the goal of becoming a multipurpose financial services company."

The aim "is to give banks more profit off the same capital base," he said, adding that "the traditional notion of a commercial bank causes some problems with capital."

This conversion of loans into trading instruments has led to an explosion in the volume of note-issuance facilities, where banks undertake to market short-term notes while guaranteeing that they will provide the funds any time the notes cannot be sold. The life of the banks' commitment so far have run as long as 12 years. Borrowers are keen to use such facilities because the costs are much lower than traditional syndicated bank loans and slightly lower than publicly issued floating-rate notes.

He reasons this way: Banks are very attentive to how their CDs trade as the yield on the paper is one of the most visible measures of a how a bank is rated in the market. A sudden wave of sales, depressing the price and pushing up the yield, would presumably force the issuing bank to support the price and the public measure of its standing by buying the paper.

In other words, issuing banks could see their deposits run down much faster than otherwise would have been likely.

And that, Mr. Wallich said,

"puts banks more at risk."

If regulators look askance at the methods banks are using to improve their asset management, it is clear that in the current environment of financial deregulation in the United States, Britain and Japan, central bankers are unlikely to impose constraints on the way banks do business.

In addition, the Euromarket has consistently used successfully by banks or their clients to circumvent domestic regulations.

This does not mean the regulators are powerless.

They have moved over the years to demand to see consolidated reports of banks domiciled in their jurisdiction, subjecting the global operation of banks to the domestic standards of capital adequacy.

Once supervisors agree on how to measure capital adequacy, they can then begin work on trying to define the desired minimum.

In the meantime, banks in the United States and many other countries are reluctant to raise capital by issuing new shares because the price bank stocks currently fetch are deemed by management to be too cheap — in many cases below book value.

Instead, bank managers prefer to increase capital by retaining a larger share of higher profits.

a competitive disadvantage internationally.

There is a profound dilemma for regulators, due to the fact that there is no agreed definition of what constitutes bank capital.

Each country has its own definition. Thus, there is no way to measure across national frontiers whether the resources available to banks are adequate to meet unexpected losses or comparable to the requirements set in other countries.

The only universally recognized elements of capital are shareholder equity and unencumbered reserves.

Certain elements regarded as integral components of capital resources in some banking systems — hidden reserves, property revaluation reserves, subordinated loan stocks, redeemable preferred shares — are not recognized in others.

Not only is there no common definition, there is also no uniform measure of how to relate these resources to the balance sheet as a whole.

The United States, Canada and Luxembourg measure capital against total assets, without distinction between different categories of assets.

Belgium, Britain, France, the Netherlands, Sweden, Switzerland and West Germany weight various categories of assets.

But the precise weights differ in each country.

At present, the so-called Cooke Committee of central bank supervisors at the Bank for International Settlements is seeking to overcome these differences through a system that would include five definitions of capital and variable measurements of assets, ranging from a weighting of 5 percent for claims on government to a weighting of 50 percent for contingent items.

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The CNT both issues loans and invests in companies whose exclusive purpose is financing of Telecommunications.

The CNT is currently active in the major domestic and international financial markets for public bond issues and syndicated and non-syndicated bank loans. Throughout the year, the CNT issued commercial paper on the United States market.

The CNT has played an essential role in the investments of the Telecommunications branch of the French P.T.T. since 1974.

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## Debate Continues On Gold's Future Among Investors

By Vivian Lewis

**PARIS** — Many companies, buffeted by currency fluctuations, are trying to hedge on investments. As it turns out, it is often unexpected companies that benefit—or lose—from the foreign-exchange market turbulence.

In the copper business things may not be looking up yet, but Anthony Hichens, managing director of Consolidated Goldfields, is convinced that the price of gold is about to rise again.

"You might well get a speculative price rise in gold if the dollar parity falls sharply," he said. "And some of the hot money that has been going into the U.S. Treasury may go into gold."

Consolidated Goldfields, whose main business is gold, began as a South African company but actively invested to diversify into what were then safer countries. In the United States, it has taken a major stake in Newmont Mines, a copper mining concern because they were taken over by a bank in Germany.

Significantly, the only way we made no margins on the U.S. market was the heavy representation of the U.S. in the mining industry. We had to take a loss on the U.S. market because they were taken over by a bank in Germany—but it was taken over by a bank in the United States.

After the South African investor's profits had first been buffered by what Mr. Hichens said was a 15-cent increase in costs caused by the Environmental Protection Act, the company's selling price was slashed by the rise of the dollar. Because metal prices tend to move inversely to the dollar parity, copper is trading at 55 cents.

"It would be one-third higher if it had not been for the rise of the dollar," Mr. Hichens said.

Other multinational companies have found that the political risks and rewards worked the other way. Frank Popoff, a member of the Dow Chemical board and head of its European operations, admitted that foreign exchange had helped Dow's bottom line. In the European region in 1983, out of total net profits in the region of \$188 million, foreign exchange earnings accounted for \$20 million. Worldwide, the same pattern applied.

While Dow is best known as a chemical company, it has diversified heavily into banking and owns a Swiss bank, a stake in the Amsterdam bankers Mendes Gans, and the merchant bank Arbutnott in London, as well as a 29.9-percent stake in the London brokerage Savory Milne. If one aims to make profits hedging exchanges, it probably helps to do so naming fees as a bank rather than putting one's chemical production profits at risk.



A handful of gold: Investors attempt to forecast its price.

paying higher dividends to its parent Air Liquide in France. (The dollar represents a quarter of consolidated sales.) But Mr. Gester said: "We may have a consolidated account problem, but it does not reflect economic exposure."

In part because the oil industry pays for its raw material in dollars and cannot sell its gasoline in anything but the local money, hedging opportunities are limited. The French subsidiary of British Petroleum borrowed in francs last year at a higher rate than it would have had to pay for Eurodollars, arguing that we have too much dollar risk already."

Another British oil company has calculated that every 10-cent rise or fall in the price of a barrel of crude oil translates to a rise or fall of five British pence in the pump price for an imperial gallon of gas. When prices are rising, however, and not only in Britain, companies cannot recoup the cost increase. So when crude prices fall they enjoy the luxury of taking their time passing the cuts through to the pump.

This second British company, like others that are traded on U.S. as well as European exchanges, follows the U.S. standard in accounting for foreign-exchange effects on investments and income using the U.S. FASB-52 rules. For a foreign currency-reporting company this introduces an element of distortion (as do the IAS 21 and British SSAP-20 rules, which are similar). To really work out the course of profits and losses one should retranslate (using the stated exchange rates) back into the original currencies to spot the trend without introducing extraneous exchange factors, in the view of this company's accountant, who is among Britain's most noted industrial advisers to the standard-setters of the profession.

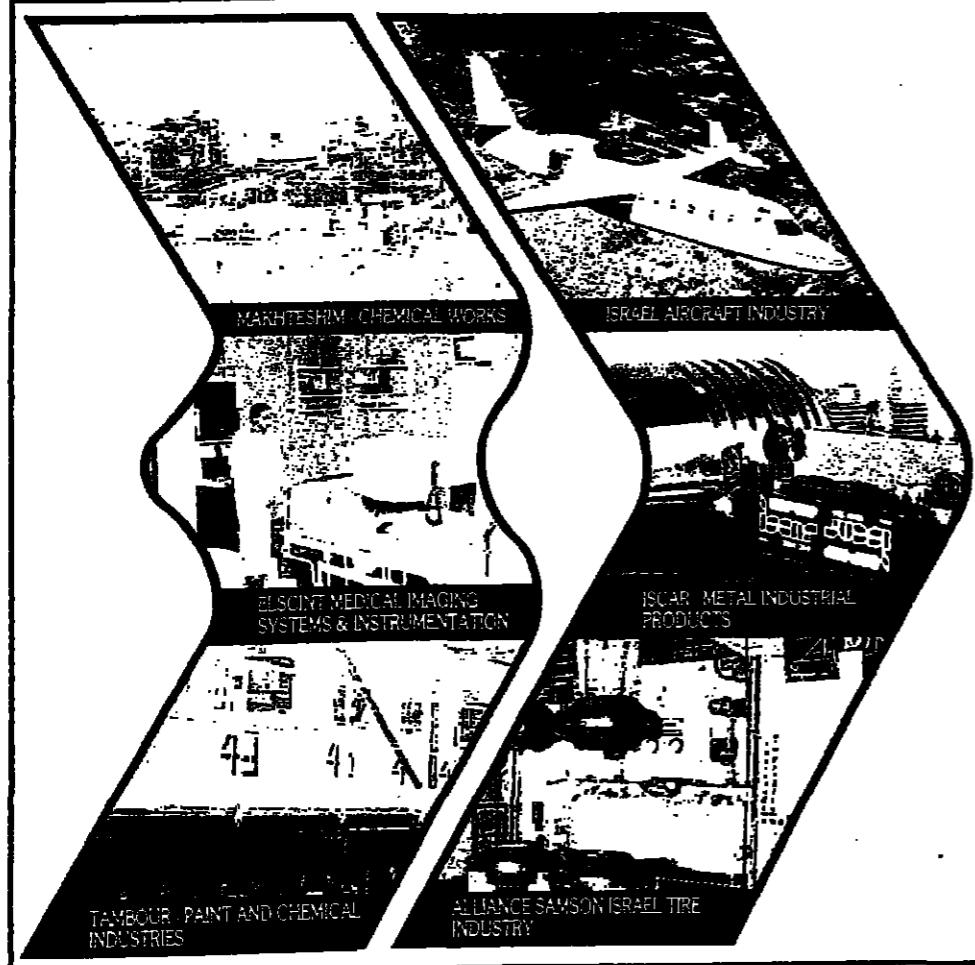
A much more modest British multinational, Bowthorpe Holdings, in the electrical industry, says it runs a decentralized and ad-hoc foreign-exchange position. "If we need foreign currency, it is left to the individual companies, who have complete day-to-day autonomy," said the finance manager, Steve Temerton. "They can buy forward or take a purchase option forward. But they advise us if there is a large position and we monitor it."

The company makes no attempt to net out transactions between its subsidiaries, in part because most of the flow is one-way. Mr. Temerton, manager of the new Indosuez section, for Indosuez, as for its French and foreign rivals, the problem is the same. Credit is becoming cheaper, margins are shrinking and risks are high in the traditional banking business of lending out of funds. "We are seeking a means to increase our balance sheet without increasing lending volume, so we are using financial-market techniques, in a range of markets," Mr. Temerton said. The interplay is helpful to both the bank and its clients, largely corporate borrowers and institutional placers of funds.

Despite this easygoing style, Bowthorpe has been covering in the crucial period "since you got two dollars to the pound." This has not made the company money so much as cut potential losses. "We use dollars rather than selling dollars," Mr. Temerton said. And, he noted, "we talk to our bankers all the time."

— VIVIAN LEWIS

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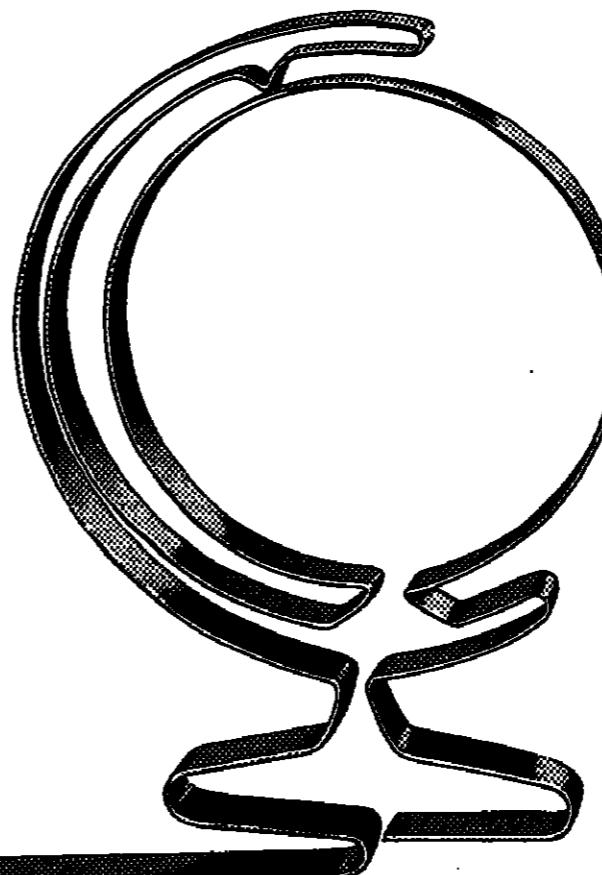
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## U.S. Dollar Expected to Sag Because of Deficit, Interest

By John Presland

LONDON — One can expect the dollar to end 1985 well below today's high levels. The huge trade deficit registered by the United States this year demonstrates graphically the loss of competitiveness that dollar overvaluation has produced.

There is every reason to believe that foreign capital will not be available to fund the U.S. current-

## NEWS ANALYSIS

account deficit at present exchange rates in 1985, for real interest rates seem set to decline, while the benefits of expansionary U.S. fiscal policy will leak abroad to foreigners, and U.S. growth will slip to little above that of its competitors. Moreover, confidence in the management of the U.S. economy will be hurt by failure to resolve the budget deficit and by changes at

The Reagan administration's disregard of the promises of a balanced budget that it made on taking office in 1980 has been a major support of the dollar. The \$175.3-billion federal budget deficit of the financial year to September has combined with the Federal Reserve's containment of money-supply growth to keep interest rates high and attract foreign capital. And a deficit of the same order in the new financial year will underpin U.S. interest rates next year.

But concern about the slowdown in economic growth — to an annual rate of 2.7 percent in the third quarter after a 3-percent annual rate in January through June — has joined the negligible rate of monetary growth since mid-year and concern about the impact of high interest rates on the fragile U.S. banking system to prompt the Fed to ease its stance. Aggressive creation of reserves has brought short interest rates down by two percentage points in the last two months.

A pickup in economic growth is widely anticipated during the current quarter, with most forecasters expecting gross national product, adjusted for inflation, to rise at a rate of about 4 percent. But troubling signs are appearing. The composite index of leading economic indicators, though up 0.5 percent in September, declined in each of the preceding three months, a development that in the past has often signaled recession.

Easing of economic growth to between 3 and 3.5 percent in 1985

John Presland is editor of Euro-money Currency Report.

(from 7 percent year-on-year in 1984) is more widely expected than that by U.S. analysts. But the Federal Reserve is clearly worried and is anxious to support growth by encouraging lower interest rates. The dollar's continued weaker trend reflects market conviction that the Fed Open Market Committee meeting Nov. 7 resolved to keep policy easy.

So, although nominal interest rates may go back up over the next quarter on stronger economic growth and credit demand, their support for the dollar looks set to weaken in 1985. And real interest rates will be eroded by higher inflation: Increasing capacity constraints and dollar depreciation are widely expected to push inflation up from the 3.5 percent per annum of the last quarter to an annual rate of 6 percent by late 1985.

The benefit of the dollar gains from the budget deficit is rapidly being eroded by movements in the U.S. current account, for fast-growing trade deficits mean the benefits of expansionary fiscal policy are increasingly being felt by foreign, not domestic, producers.

Without surging imports, third-quarter economic growth would have been near 6 percent, annualized, than the actual 2.7 percent. And as the surging current-account deficit boosts the supply of dollars to foreign exchange markets next year, which will increasingly counteract the demand for dollars created by high U.S. interest rates.

The merchandise trade balance has deteriorated drastically this year. January-September had a \$96.3-billion deficit. That compares with a record full-year deficit of \$69.4 billion in 1983. The Commerce Department expects the 1984 deficit to total \$130 billion and 1985's to rise to \$160 billion.

Trade in services, meanwhile, moved into deficit for the first time since 1979 in the second quarter of this year. And rapid growth in U.S. borrowing overseas, which will turn the United States into a net debtor by the end of 1985, has been reflected in flagging investment income inflow — down to \$14.6 billion per annum in April-June from \$34.1 billion in 1981.

Forecasts of a U.S. current-account deficit of \$100 billion this year are, therefore, now common. And the decline in invisible income threatens to narrow the gap between the current- and trade-account deficits next year.

The January budget's failure to provide for significant cuts in the federal deficit will increase doubt about long-term economic stability. And Paul A. Volcker's resigna-

## Era of Financial Supermarket Arrives in the Euromarkets

PARIS — The Euromarkets reward nimbleness. Innovation in creating new instruments and breaking barriers pays, figuring out new ways to hedge and arbitrage gives one a competitive edge.

As a result, there is always pressure on the borders of Euromarket categories. With straight loan margins finely shaded for name borrowers, the way for market operators to make money is to create new instruments, new techniques, new currencies and new businesses — even if it means ruffling a few financial feathers.

Barriers are breaking down between financial markets and stock markets, between foreign-exchange markets and the sedate world of underwriting, between bankers and brokers. A sign of the times is the first underwriting of a stock issued by a U.S. bank since the last Glass-Steagall reforms of the 1930s, which separated investment banking and broking from commercial banking and lending. At the beginning of November, Citicorp in London, with a stock brokerage as its partner, became the first U.S. bank to launch a new share in more than 50 years, on the London United Securities Market (a sign that in Britain at least old barriers have fallen).

While the financial supermarket is a U.S. phenomenon, different categories of financial intermediaries in several Western European markets are getting together. Banks are eager for the fees that investment banking operations yield in a period when loan margins are getting squeezed, and they are taking interests in nonbanks to earn it.

While the financial supermarket is a U.S. phenomenon, even the idea of offering financial services to department-store clients has caught on. An example is the joint venture between British Home Stores and First Bank of Boston. Different categories of financial intermediaries in several Western European markets are getting together. Banks are eager for the fees that investment banking operations yield in a period when loan margins are getting squeezed — and they are taking interests in nonbanks to earn it.

Banks want to become guarantors rather than lenders, and they aim to create market instruments to allow borrowers to get the money they need without banks' lending the money and having to add expensively to their own reserves.

Euromoney paper, for which banks act merely as guarantors; complex swaps between fixed and floating notes; letter of credit and performance bond deals; Euronotes; equity-linked issues — all earn fees.

With future rate agreements, banks cover interest-rate risks by hedging among themselves. When banks cannot avoid putting their funds at risk, they borrow techniques from other markets — put and call options, learned from the stock market, to cover interest rate and exchange fluctuations, or futures such as once were confined to hog bellies to hedge and arbitrage risks.

The fastest-growing currency ever created is the Euro-

pean Currency Unit, or ECU, a hybrid money that is particularly attractive for borrowers seeking lower interest or even access to funds in relatively weak currencies. The ECU has moved into new areas, ranging from trade finance to Soviet-bloc credit to businessmen's traveler's checks, in part because of its built-in hedging protection. Because the ECU is linked to a basket of currencies — but not the dollar — both borrower and lender can cut the risk of dealing in a single one, subject to upward or downward

revaluations.

Swaps and Euromoney paper have already made the old distinction between Eurobonds, Eurocredits and straight bank loans less meaningful. Now new ideas are coming to the fore. Stanley Hurn at Samuel Montagu, a merchant bank controlled by the large Midland clearing bank, has invented a more transferable type of syndicated loan that banks can move between themselves rather than keeping on their books forever. Called a transferable loan instrument, it makes it easier for banks to market Eurocredits so as to bring maturities into balance with the bank's liabilities, and switch currencies around or offload too-old barriers have fallen.

If a real secondary market in transferable loan instru-

mements develops, banks will have succeeded in being guaran-

tors of loans for a fee rather than the actual lenders.

Market acceptance of short-term paper and of issues to be provided in some form by banks at some future date — are also blurring the distinction between banking and money brokering. Revolving underwriting facilities, issued by groups of borrowers for terms that are shorter than normal syndications, earn higher fees in return for a mere contingency commitment from the banks.

Stimulating banking innovation has been the need to compete with cheaper terms in the bond market, a result of relatively cash-flush industrial companies, cuts in the withholding taxes of several leading national markets, the fact that Eurodollars and domestic U.S. dollars at least are increasingly moving in tandem.

If one is a Eurobanker with no bargains to offer, one has to find a way of placing the funds one has garnered, of attracting borrowers regardless. To confine operations to credits rather than loans or equity-linked issues is to set one on a course of losing market share.

To get new profitable business, why not overcome the barriers between investment banking or stockbroking and the business that the headquarters company is confined to by U.S. law? Citicorp, which has taken steps to become a British merchant bank (which does underwriting) as well as a commercial bank, has arranged that, when London Stock Market rules allow, it will own the rival stockbrokers Vickers da Costa and Scrimgeour Kemp-Gee. Citibank is simultaneously a part of the U.S. financial

supermarket trend and the London City "Revolution."

In Britain, merchant banks are moving (usually by taking a shareholding in brokerages and market makers at the maximum level currently allowed, 29.9 percent) closer to stock-market operating institutions such as brokerages and jobbers. The latter, in Britain, are separately owned, independent firms that do market-making but that are rapidly being brought into the orbit of banks, finance houses and brokerages under the 29.9-percent rule. Until recently, the London Stock Exchange operated as a cartel to keep out the merchant banks and keep jobbers and brokers separate under the so-called dual-capacity rules.

One of the first purchases of a 29.9-percent stake in a British stockbroker brought Security Pacific Bank of California together with the brokerage Hoare Govett, Dow-Scandinavia, a venture controlled by the banking arm of Dow Chemical, owns a merchant bank and has bought into the brokerage Savory Mills. Shearson Lehman-American Express, a bank outside the United States, has taken a smaller stake in the brokerage Messel & Co. Other combinations such as Hongkong and Shanghai Banking Corp. with James Capel, County Bank with Fielding Newsom-Smith, Grindlays with Capel-Cure-Myers, show that the Americans are not alone. And in addition to stakes in brokerage houses, foreign and British banks have rushed to buy into other City institutions, such as jobbers.

The trend is also observable outside London. Jacob Rothschild's RIT-Charterhouse financial group from Britain has bought out the formerly independent Wall Street brokerage house Rothschild, Unterberg, Tobin. The nationalized Paribas bank of France, in exchange for its stake in another brokerage firm, has become the largest shareholder in Merrill Lynch, Pierce, Fenner and Smith. Insurance companies are getting into industrial investment (as has Allianz of West Germany) or they are taking control of banks.

The course of blurring distinctions by merging institutions is rocky, since the culture of markets and banks, of institutional investors and industry vary so much. Honey-moons do not always last — look at Phibro and Salomon Brothers, a trading house mismatched with an investment bank; look at the departure of Edmond Safra, the risk-averse, self-made banker from the high-flying world of Shearson Lehman-American Express. And some of the high prices being paid for stockbrokers in the City may not bode well for a continued happy partnership in future, according to Laing & Crukshank, a brokerage bought earlier this year by Mercantile House.

Laing & Crukshank said: "It is hard to resist the impression that an element of 'fashion' has played a part in the speed and number of acquisitions. An increasing number of people are wondering whether some of these deals will end in tears." — VIVIAN LEWIS

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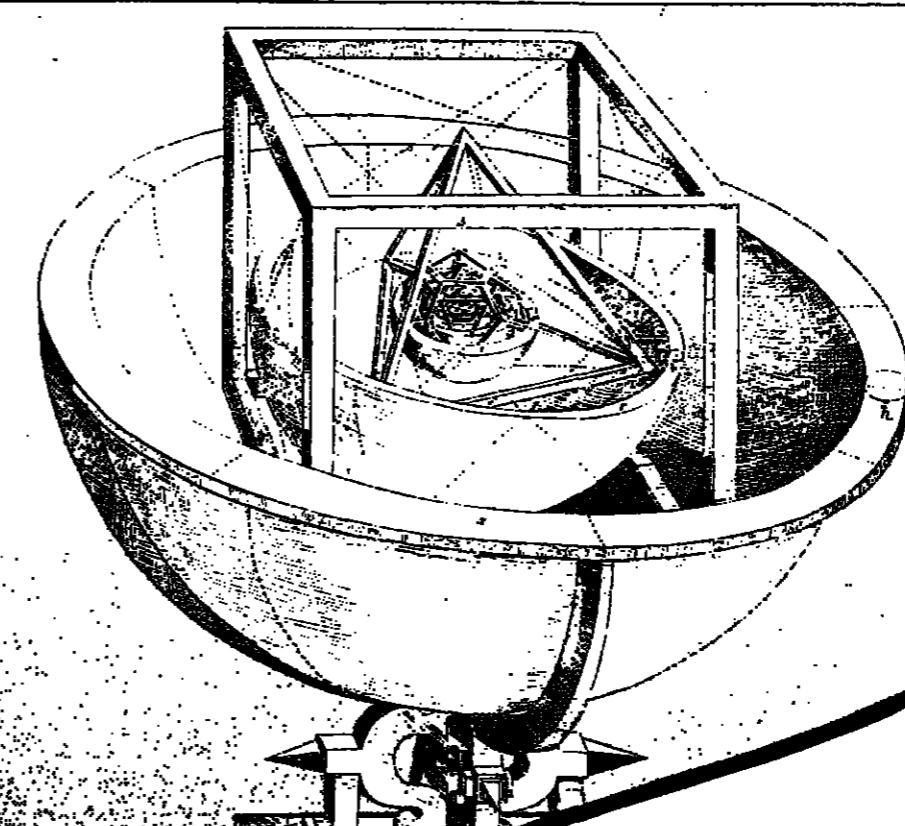
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## A SPECIAL REPORT ON EUROMARKETS

## ECU Demand Rising, but Deutsche Mark Expected to Set Record in Foreign Bonds

By Pearl Marshall

BONN — This has been the year of the European Currency Unit (ECU). It now is struggling in the No. 3 position in the Eurobond market with the No. 2 pound sterling and could in the future be a challenge to the front-runner Deutsche mark.

The first three-quarters of 1984 saw a tremendous appetite for dollar paper, overwhelming the leading international loan currency, but then "all of a sudden there was a growth in appetite for ECUs as an alternative to the dollar," said Olaf Schuth, syndication manager in Dresdner Bank's new issues and underwriting department. "At the 3 DM level, the dollar had gotten dangerous to say the least," he said.

Commenting on the recent surge of interest in the ECU, Werner Samuel, syndication manager at Commerzbank's corporate finance department, pointed out: "The volume is still limited but those issues that are being offered are being absorbed quite easily. Current yield issues on ECUs are around 10 percent, compared with the 7% yield level in the foreign Deutsche mark sector."

The ECU also offers a certain degree of stability, especially, for instance, for Italian investors. "The only legally allowed escape route from the weak lira is into the ECU," said Commerzbank's Ger-

old Brandt, joint director of the corporate finance department.

Despite the demand for the ECU, however, the 1984 volume of new Deutsche mark foreign bonds is expected to reach record between 17 billion DM and 18 billion DM, a good billion more than last year and a substantial increase over 1982's 11.5 billion DM, and 1981's real low of 4.9 billion DM.

The previous peak was in 1977-1978 when the volume was roughly around 15 billion DM. But at that time the Eurobond market was smaller and the Deutsche mark had a much higher relative share.

Investor appetite for Deutsche-mark denominated bonds is "very big," according to Commerzbank's Mr. Brandt. "In addition, we are still living in a market that is — to a certain degree — behaving like an orderly maintained market," he said. "We don't have the kind of overfilling situation you see in the Eurodollar sector of the Euro-market. The DM-market is a little more regulated because of the planning system by [West German capital markets] subcommittee. This avoids the situation we all have seen where issues too thinly priced will suddenly fail to attract investors' interest, which is then detrimental to the borrowers standing in the market and leads to a flop situation."

There has traditionally been a conservative element in the DM

market. The typical DM investor likes what bankers call "plain vanilla issues with a five-year bullet maturity, seven years, or even 10 or 12 years." When it comes to more hybrid creations he often prefers to stay on the sidelines.

Some recent warrant-attached issues launched by Commerzbank, however, were very well received. Their success was in no small part due to the fact that borrowers were involved who normally did not tap the market, borrowers such as Preussag.

"On the warrant side we had

fantastic capital gains being real-

ized within a couple of days of launching," Mr. Brandt said. "So

the investor had the best of both worlds — a kind of traditional instrument and a very reliable but rare borrower from a market segment that has been under-repre-

sented, plus the fantastic play that was a feature for the speculators of the warrant being traded separately from the issue itself."

The supranationals are the backbone of the DM accounting for about a quarter of all new-issue volume in public issues and private placement. At the last subcommittee meeting on Nov. 5, there was a total of 111 issues — public and private placement — of which 25 were issues for supranationals. Out of a volume of 13.6 billion DM, 4.8 billion was of a supranational bor-

rowers nature.

First choice to lead-manage all supranational DM borrowers, such as the World Bank and the European Investment Bank, the Deutsche Bank because of its presence and weight in the market.

The Deutsche Bank and five other German banks regularly lead-manage other DM bond issues. These are Dresdner Bank, Commerzbank, Westdeutsche Landesbank, Berliner Handels- und Frankfurter Bank and Bayerische Vereinsbank. These six banks are the members of the subcommittee.

It's among these six banks that the so-called DM foreign bond calendar is arranged. A seventh bank, DG Bank, has DM bond issues on a more irregular basis. In the dollar sector, the three most active German banks are the Deutsche, Dresdner and Commerzbank — in that order.

Looking toward the end of the year, these banks expect to see an additional 2.1 billion DM added by Dec. 13 to the current overall volume figure for foreign DM bond issues of 15.6 billion DM.

This would give a total of 17.7

billion DM, but does not take into account any additional warrant issues and convertible bonds that can be launched at any time. It only allows for the straight issues scheduled within the subcommittee.

"Having talked to a lot of bor-

rowers, we don't believe we will have an enormous volume of con-

vertibles topping this market," Mr. Brandt said. "We have seen, how-

ever, two very prominent European borrowers tapping the warrant market early in November — Philips and the Swiss Bank Corp. — so these kind of issues can be launched apart from the calendar that is set every four to six weeks."

Dresdner Bank launched the Philips equity-linked issue to raise 250 million marks through a seven-

-year offering bearing a 3½-percent coupon.

"It is trading comfortably above issue price," said Dresdner Bank's Mr. Schuth. "Worldwide, the equity markets are in good shape so these issues are a combination of the interest people have in the DM market and, at the same time, the interest they have in Philips equi-

ties — a combination of two positive factors."

So taking into account such

launchings, German bankers see a

total foreign bond volume of some

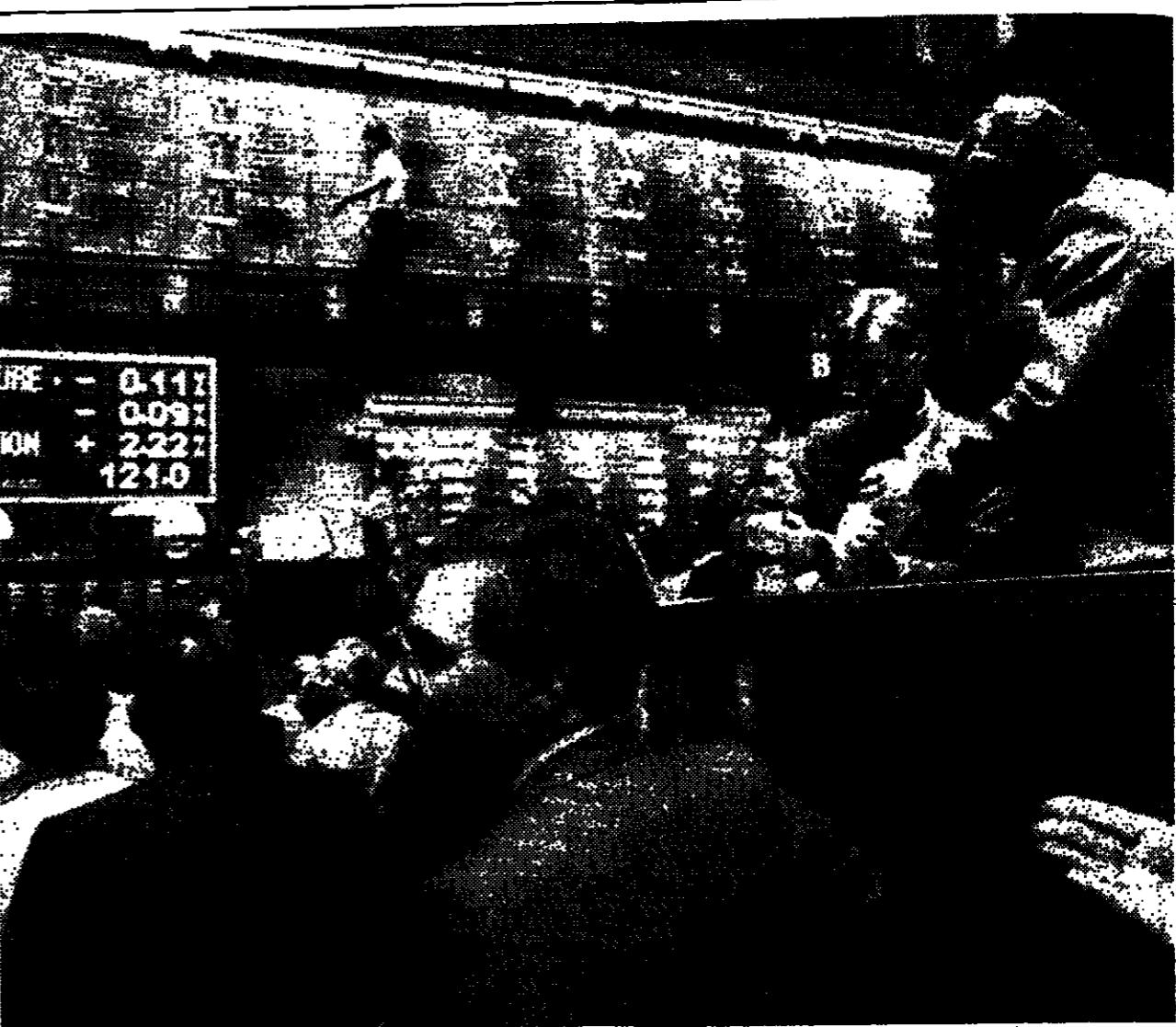
18 billion DM to 19 billion DM for

1984 as a whole. "During the last

three calendar periods we have

watched volumes topping 2 billion

DM," Mr. Brandt said.



Trading at the Bourse in Paris.

John Coppey/Hess

## CONTRIBUTORS

JOHN M. BERRY is a financial reporter for The Washington Post.

SHERRY BUCHANAN, a financial journalist based in Paris and Brussels, writes the International Herald Tribune's columns "International Manager" and "The European Community."

EVA DADRIAN is an economic researcher with Middle East Information, a London-based consultancy firm.

CARL GEWIRTZ, associate editor of the International Herald Tribune, writes the newspaper's Eurobond column.

AMIEL KORNEL, a member of the International Herald Tribune's staff, writes frequently about technology.

VIVIAN LEWIS is a Paris-based financial journalist.

PEARL MARSHALL is a journalist based in Bonn.

MICHAEL METCALFE is a Paris-based economic journalist.

JOHN PRESLAND is editor of the London-based Euromoney Currency Report.

## Weight of Deficit, Lower Interest Rate Could Trim Dollar

(Continued From Previous Page)

France's Socialist government in March 1983 have been reflected in sharp improvement of the country's external accounts. The current-account deficit of 1984 should be less than 20 billion French francs, after 37 billion francs last year. But the improvement has been bought at considerable cost for the domestic economy: The crimping of domestic demand means economic growth will be little more than 1 percent this year. And inflation, expected to end the year at 7.3 percent, continues to run well ahead of that in West Germany.

While French export competitiveness vis-a-vis West Germany has slipped by about 4 percent since the last EMS reshuffle, Italy's

inflation of 9.1 percent in the year to October has meant that Italian exports have suffered still more. That has been reflected in the rise of the January-August trade deficit to 11 trillion lire from the 8.2 trillion lire of a year earlier and has already prompted the Bank of Italy to raise interest rates.

Experience suggests that, in pursuit of the long-term aim of promoting convergence of member countries' economic policies, adjustments made then will be somewhat smaller than existing inflation differentials. The French franc appears likely to be devalued against the Deutsche mark by about 5 percent while the lire moves rather more and the Danish krone, Belgian franc and Irish pound somewhat less. Conscious of the blow to confidence in the Netherlands dealt by its 2-percent devaluation

against the mark in the last reshuffle, Amsterdam will keep pace with the West German unit's revaluation next time.

Inflation running at 7 percent, well above the government's end

1984 target, and export performance lagging behind official hopes may bring the Swedish krona under pressure after next October's election. But otherwise, the Scandinavian currencies' basket pegs look secure for the next year. The weight of North American currencies in those baskets will mean that their gains against the dollar will be less than those of the mark.

Switzerland's healthy 6-billion-franc-a-year current-account surplus and inflation running a little above West Germany's, together with the market's confidence in the national bank's firm monetary policy, will keep the Swiss franc secure in 1985. And if the dollar's decline should prove precipitous, the unit's safe-haven status will be enhanced, leading to appreciation that outpaces the mark.

The Canadian dollar should be

expected to share most of its neighbor's decline against European currencies.

Canada's small current-ac-

count surplus contrasts with the U.S. huge deficit, but official con-

cern to promote growth and bring unemployment down from the current 11.4 percent will prompt easing of interest rates if the unit moves much beyond 1.30 to the U.S. dollar. Its long-term prospects will depend to great extent on how much resolve to cut the 7.5-per-

cent-of-GDP budget deficit the new government shows in its spring budget.

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## BUSINESS/FINANCE

## EUROBONDS

## U.S. Cut in Discount Rate Prompts Rally in Market

By CARL GEWIRTZ  
*International Herald Tribune*

**P**ARIS — The U.S. discount rate was finally cut last week, triggering a powerful rally in the New York bond market and a strong, but less powerful, response in the Eurobond market. The half-point rate cut, to 3½ percent, left analysts disputing whether this was the end of the Federal Reserve's easing of credit policy or whether it was only a step in a continuing downward.

Henry Kaufman, chief economist at Salomon Brothers, sees the possibility of continued declines. "The reduction in the discount rate paves the way for the federal funds rate [or overnight money costs] to move into the 8½-9 percent range, for additional reductions in the prime loan rate and perhaps another cut in the discount rate in January if renewed growth in M-1 fails to materialize soon," he said.

After markets closed Friday, the Fed reported that M-1, the narrowest measure of the money supply, dropped \$1.3 billion in the week ended Nov. 12. The data is normally reported on Thursday, but was delayed on Thursday, but was delayed last week because of the Thanksgiving Day holiday.

The most interesting development in the Eurobond market last week was news from Sité Générale Strauss Turnbill that it will begin making a market in what director Willy Dunn calls "virgin" bonds that are untouched by human hands. These are call-protected securities that can be bought with warrants.

By making a market (quoting bid-offered prices) in these bonds, he hopes to demonstrate that the high prices now quoted on the warrants are still cheap for what they can buy.

Mr. Dunn is particularly interested in the warrants that were marketed early in the craze for this paper. The distinction is based on whether the initial bond offering to which the warrants were attached is callable.

**S**OME 32 issues marketed since end-June were sold with the host bond not immediately callable. Since late October, another 19 issues have been sold under conditions that allow the issuer to redeem, at a modest premium, the host bond as the warrants are exercised and the "virgin" bonds taken.

This becomes a very important distinction as interest rates drop. Mr. Dunn believes they will continue declining. The easy call provision on the latest 19 offerings means that the issuers can be assured that they will never have outstanding more than the amount of paper they initially sold. As \$1 million worth of warrant-bonds are taken, \$1 million worth of host bonds are redeemed.

By contrast, the 32 early issuers now face the possibility of having outstanding, and paying interest on, twice the amount of paper they initially sold — say \$100 million of original host bond that is not called for three-to-five years depending on the terms of each issue and \$100 million of "virgin" bonds if the warrants are exercised immediately.

These warrants were not expected to be exercised early. Normally, they carried terms that anticipated considerable lowering of interest rates and stretching of maturity preferences.

Many of these "virgin" bonds are now "in the money," or would trade at premiums justifying the price to be paid to buy the warrant. And Mr. Dunn reasons that the issuers, unable to prematurely redeem their host bond, will be driven to buy back their warrants as the only means to protect themselves against paying interest on twice the amount of money they intended to raise.

The warrants he likes are these:

- Credit Anstalt, expiring July 31, 1988, to buy 14-percent bonds due in 1991. The warrants ended the week at \$62-\$67.
- Denmark (III), expiring Aug. 4, 1988, to buy 13½-percent bonds due 1991, priced at \$56-\$61.
- Exportimbank, expiring Sept. 15, 1987, to buy 13½-percent 1989 bonds, priced at \$42-\$46.
- General Electric, expiring Aug. 7, 1987, to buy 12½-percent bonds callable in 1989, priced at \$42-\$46.
- IBM, expiring Aug. 9, 1985, to buy 13-percent notes due 1987, priced at \$46-\$53.
- Texaco, expiring Sept. 1, 1987, to buy 12½-percent bonds

(Continued on Page 19, Col. 1)

## Last Week's Markets

All figures are as of close of trading Friday

## Stock Indexes

United States			
Last Wk.	Prev.Wk.	% Chg.	Yr-to-Date
DJ Indust.	1,228.30	+1.87	+27
DJ Util.	145.72	+1.47	+14
DJ Trans.	322.59	+1.51	+13
S & P 500	134.92	+1.45	+24
S & P 200	144.92	+14.10	+17
NYSE Com.	94.10	+9.40	+15

Data from Prudential/Baker Brothers Securities

United Kingdom			
Last Wk.	Prev.Wk.	% Chg.	Yr-to-Date
FTSE 100	1,158.60	+1.73	+1.27
FT 30	910.30	+0.30	+0.30

Hong Kong			
Last Wk.	Prev.Wk.	% Chg.	Yr-to-Date
Hong Sen	1,096.04	+107.79	+2.26

Japan			
Last Wk.	Prev.Wk.	% Chg.	Yr-to-Date
Nikkei DJ	11,207.70	+112.45	-0.56
Commerzbank	1,085.60	+107.80	+0.69

Data from Prudential/Baker Brothers Securities

## Currency Rates

Last interbank rates on Nov. 23, excluding fees.							
Official fixings for Amsterdam, Brussels, Milan, Paris, New York rates of 4 P.M. EDT.							
<b>Dollar</b>							
Amsterdam	1.364	4.16	D.M.	1.345	1.303	S.F.	1.324
Brussels	1.361	4.09	Euro	1.321	1.275	£	1.324
London	1.374	4.249	DM	1.320	1.245	franc	1.325
Milan	1.3743	4.2493	£	1.3215	1.2473	franc	1.325
New York	1.3743	4.2493	DM	1.3215	1.2473	franc	1.325
Paris	1.3743	4.2493	£	1.3215	1.2473	franc	1.325
Tokyo	1.3743	4.2493	DM	1.3215	1.2473	franc	1.325
Zurich	1.3715	4.0255	DM	1.3245	1.2345	franc	1.3272
ECU	0.7385	0.4528	£	0.7374	0.4517	franc	0.7385
ISOR	0.74625	0.46143	DM	0.7374	0.4517	franc	0.7385
<b>Dollar Values</b>							
\$	5	10	D.M.	5	10	S.F.	5
Currency	Per	Per	Currency	Per	Per	Currency	Per
Euro	1.365	1.370	franc	0.9710	0.9495	Swiss 1	2.165
Dollar	1.1882	1.1813	£	0.9710	0.9495	American 1	2.165
Australian 1	2.126	2.0701	Danish kr.	1.0215	1.0175	Swiss 2	2.165
Swiss franc	1.0215	1.0175	Norwegian kr.	1.0215	1.0175	Swiss 3	2.165
Belgian franc	1.1882	1.1813	Korean won	2.4725	2.0295	Swiss 4	2.165
Canadian 5	1.3164	1.3124	Mexican peso	1.0215	1.0175	Swiss 5	2.165
Dutch florin	1.0215	1.0175	P.M. peso	2.0115	1.8263	Swiss 6	2.165
Ecuadorian	1.3164	1.3124	Tunisian 5	2.4725	2.0295	Swiss 7	2.165
French 5	1.3164	1.3124	Tunisian 6	2.4725	2.0295	Swiss 8	2.165
German mark	1.3164	1.3124	Tunisian 7	2.4725	2.0295	Swiss 9	2.165
Greek drachma	1.3225	1.3062	Portuguese	10.3719	9.8077	Swiss 10	2.165
Hong Kong 5	1.3225	1.3062	Swiss 11	3.531	3.0723	Swiss 12	2.165

S: Standard; E: Euro; D: Dutch florin; A: Australian 1; F: French 5; G: German mark; H: Greek drachma; I: Italian lira; J: Japanese yen; K: Korean won; L: Mexican peso; M: Norwegian krone; N: Swiss franc; O: Spanish peseta; P: Tunisian 5; Q: Tunisian 6; R: Tunisian 7; S: Tunisian 8; T: Tunisian 9; U: Tunisian 10; V: Tunisian 11; W: Tunisian 12; X: Tunisian 13; Y: Tunisian 14; Z: Tunisian 15.

U: United States dollar; L: United States dollar; M: United States dollar; N: United States dollar; O: United States dollar; P: United States dollar; Q: United States dollar; R: United States dollar; S: United States dollar; T: United States dollar; U: United States dollar; V: United States dollar; W: United States dollar; X: United States dollar; Y: United States dollar; Z: United States dollar.

N.G.: not quoted; N.A.: not available.

## Europe Fuels U.S. N-Plants

## Eurodif, Urenco Start Sales Push

By Paul Lewis  
*New York Times Service*

**Eurodif** — Europe's two manufacturers of enriched uranium reactor fuel are opening an aggressive sales drive in the United States, where a change in Department of Energy regulations has allowed U.S. utilities to order fuel from abroad for the first time.

In the last few weeks, three New England utility companies, Yankee, Yankee Maine and Yankee Rowe, agreed to buy fuel over the next 10 years from Eurodif, a consortium owned by France, Italy, Spain and Ireland.

**Urenco** — The company's two manufacturers of enriched uranium reactor fuel are opening an aggressive sales drive in the United States, where a change in Department of Energy regulations has allowed U.S. utilities to order fuel from abroad for the first time.

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## **International Bond Prices - Week of Nov. 22**

**Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financière Crédit Suisse-First Boston.**  
Prices may vary according to market conditions and other factors.

Amt	Security	Yield				Amt	Security	Yield				Amt	Security	Yield					
		% Mat	Middle Price	Ave Life	Curr			% Mat	Middle Price	Ave Life	Curr			% Mat	Middle Price	Ave Life	Curr		
<b>(Continued from Page 8)</b>																			
\$ 150	Walt Disney Productio	121- 27 Oct	9614	11.32	12.25	dm 100	Vest-A-Alpine	82- 28 Oct	10014	7.42	7.02	823	dm 40	Copenhagen Telephon	74- 17 Jan	102%	6.32	5.57	7.
\$ 75	Walt Disney Productio	120- 29 Mar	16114	11.95	12.25	dm 100	Vest-A-Alpine	84- 19 Jun	97	7.00	7.12	8.02	dm 75	Copenhagen Telephon	74- 15 May	100%	6.97	6.56	7.
\$ 15	Ward Foods Of Canad	54- 28 Nov	10200	20.58	22.42	dm 100	Belgelectric Finance	110- 29 Jun	10014	7.96	7.41	9.01	dm 40	Copenhagen Telephone	84- 18 Apr	102%	7.80	7.47	7.
\$ 100	Worrell-Lambert Int'l	184- 19 Feb	9511	11.49	11.76	dm 100	Belgelectric Finance	111- 19 Oct	10014	8.15	7.91	9.01	dm 70	Den DKoeko Bank	84- 12 Jul	102%	7.80	7.47	7.
\$ 100	Wells Forge Co	134- 21 Sep	9214	12.44	11.08	dm 100	Belgelectric Finance	112- 19 Oct	10014	8.11	7.91	9.01	dm 70	Julfund Telephon	84- 18 May	102%	7.81	7.47	7.
\$ 100	Wells Forge Co	134- 21 Dec	97	12.45	11.08	dm 100	Belgelectric Finance	113- 19 Oct	10014	8.11	7.91	9.01	dm 50	Julfund Telephon	84- 18 May	102%	7.81	7.47	7.
\$ 75	Wells Forge Int'l Finl	15- 15 Sep	97	12.45	11.08	dm 200	Canada	82- 21 Apr	10014	6.74	7.08	7.08	dm 150	Mariage Bank Denmark	74- 28 Jul	102%	7.27	7.35	7.
\$ 75	Wells Forge Int'l Finl	15- 15 Sep	97	12.45	11.08	dm 100	Canada	82- 21 Apr	10014	6.74	7.08	7.08	dm 100	Mariage Bank Denmark	74- 28 Jul	102%	7.27	7.35	7.
\$ 75	Winnipegair Control	110- 16 May	120	12.55	11.65	dm 200	Canada	82- 21 Apr	10014	6.74	7.08	7.08	dm 100	Mariage Bank Denmark	74- 28 Jul	102%	7.27	7.35	7.
\$ 150	Winnipegair Control	110- 16 May	120	12.55	11.65	dm 100	Canada	82- 21 Apr	10014	6.74	7.08	7.08	dm 100	Mariage Bank Denmark	74- 28 Jul	102%	7.27	7.35	7.
\$ 150	Winnipegair Control	110- 16 May	120	12.55	11.65	dm 100	Canada	82- 21 Apr	10014	6.74	7.08	7.08	dm 100	Mariage Bank Denmark	74- 28 Jul	102%	7.27	7.35	7.
\$ 100	Weyerhaeuser Co	174- 27 Oct	9501	12.01	12.19	dm 100	Canada	82- 21 Apr	10014	6.74	7.08	7.08	dm 100	Mariage Bank Denmark	74- 28 Jul	102%	7.27	7.35	7.
\$ 100	Weyerhaeuser Co	174- 27 Oct	9501	12.01	12.19	dm 100	Canada	82- 21 Apr	10014	6.74	7.08	7.08	dm 100	Mariage Bank Denmark	74- 28 Jul	102%	7.27	7.35	7.
\$ 100	Xerox Finance	14- 17 Aug	10200	12.47	11.63	dm 100	Canada	82- 21 Apr	10014	6.74	7.08	7.08	dm 100	Mariage Bank Denmark	74- 28 Jul	102%	7.27	7.35	7.
<b>DM STRAIGHT BONDS</b>																			
<b>AUSTRALIA</b>																			
dm 100	Australia	7- 27 Feb	10014	6.23	6.56	dm 100	Finland	54- 26 Feb	99%	6.40			dm 150	Finland	54- 26 Feb	99%	6.40		
dm 200	Australia	81- 27 Oct	9700	7.24	8.05	dm 100	Finland	54- 26 Nov	102%	7.21			dm 150	Finland	54- 26 Dec	102%	7.33		
dm 250	Australia	6- 24 Sep	95	6.16	6.06	dm 100	Finland	54- 23 Apr	102%	7.33			dm 150	Finland	54- 23 Apr	102%	7.33		
dm 250	Australia	54- 29 Nov	9700	6.29	6.58	dm 100	Finland	54- 23 Apr	102%	7.33			dm 150	Finland	54- 23 Apr	102%	7.33		
dm 250	Australia	54- 29 Nov	9700	6.29	6.58	dm 100	Finland	54- 23 Apr	102%	7.33			dm 150	Finland	54- 23 Apr	102%	7.33		
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dm 250	Australia	54- 29 Nov	9700	6.29	6.58	dm 100	Finland	54- 23 Apr	102%	7.33			dm 150	Finland	54- 23 Apr	102%	7.33		
dm 250	Australia	54- 29 Nov	9700	6.29	6.58	dm 100	Finland	54- 23 Apr	102%	7.33									

**Chicago Exchange Options**

For the Week Ending Nov. 23, 1984

#### **Mutual Funds**

## Mutual Funds

NEW YORK (AP)—		Tov Ex	10.73	NL	US Gov	7.04	7.39	NL	Gelato	1.65	NL	NE InTr	11.12	NL	InCo	10.20	NL	InCo	9.39	NL
The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (Value plus sales charges) Friday.		Bid	Ask	Thre C	9.34	NL	Equal	4.61	4.97	NL	Growth	7.48	NL	Munic	10.20	NL	InCo	10.20	NL	
BostFFd		12.44	14.93	East Gth	7.16	7.83	ColTgs	4.13	4.24	NL	Grow	7.04	NL	SIPaul	9.41	NL	OpCo	10.66	NL	
Boston		2.44	NL	EastBal	7.47	8.00	ColTgs	4.13	4.24	NL	Held	1.14	NL	SiCo	9.41	NL	OprCo	10.66	NL	
Brwson		10.44	NL	ESIA	11.91	12.20	ColTgs	4.13	4.24	NL	Lind	22.03	NL	NoFavo	10.57	NL	Fnd Co	10.66	NL	
Bull & Bear		GrifDibg	12.47	NL	Growth	3.94	4.55	COL Pac	17.12	12.12	NL	LindDv	7.23	NL	Nuveat	11.35	NL	Century	10.66	NL
CapCo		12.67	NL	HiYld	4.94	5.28	ColGes	14.02	12.02	NL	LongDv	10.30	NL	Omega	10.57	NL	20th	10.66	NL	
Equity		11.00	NL	IncBos	8.88	9.70	ColGes	14.02	12.02	NL	LongDv	10.30	NL	Oppenheimer	11.35	NL	Gift	4.13	NL	
Galco		10.87	NL	Invest	7.88	8.61	ColGes	14.02	12.02	NL	Lord	17.07	NL	Prudential	11.35	NL	GrifWth	12.14	NL	
MiYld		13.98	NL	SpEqal	18.28	19.71	ColGes	14.02	12.02	NL	Lord	16.77	NL	ReNa	12.30	NL	Spec	12.22	NL	
Calverl		Group:	16.21	NL	ToxM	14.81	16.20	ColGes	14.02	12.02	NL	Lord	16.77	NL	Omega	12.30	NL	UnCo	12.22	NL
Equity		11.00	NL	VSP	11.13	12.16	ColGes	14.02	12.02	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		10.87	NL	Lg	11.20	12.16	ColGes	14.02	12.02	NL	Lord	16.77	NL	Prudential	12.30	NL	UptCo	12.22	NL	
Equity		12.22	NL	Ersterstdt	Group:	11.13	NL	ColGes	14.02	12.02	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL
Equity		11.00	NL	Chem	11.42	12.04	ColGes	14.02	12.02	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		10.87	NL	ERs	11.92	12.84	ColGes	14.02	12.02	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		10.74	NL	Survey	12.03	13.15	ColGes	14.02	12.02	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		10.54	NL	Bullock	15.13	15.88	ColGes	14.02	12.02	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		10.49	NL	EmplBd	21.98	21.98	ColGes	14.02	12.02	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		10.39	NL	Evrgrn	37.32	NL	ColGes	14.02	12.02	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		10.26	NL	Evrgrn Ttl	15.86	NL	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		10.16	NL	FPA	9.25	10.22	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		10.05	NL	Capit	9.11	9.90	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		9.94	NL	Prest	13.73	15.81	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		9.84	NL	Peren	15.87	17.34	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		9.79	NL	Frm	unavail	NL	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		9.69	NL	Federated	unavail	NL	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		9.59	NL	Am Ldr	10.85	11.60	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		9.50	NL	Exch	34.35	NL	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		9.41	NL	Edlintr	9.64	NL	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		9.31	NL	Optim	4.18	NL	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		9.21	NL	GavSoc	9.09	NL	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		9.10	NL	HICM	11.51	12.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		9.00	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		8.91	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		8.81	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		8.71	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		8.61	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		8.51	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		8.41	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		8.31	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		8.21	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		8.11	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		8.01	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		7.91	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		7.81	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		7.71	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		7.61	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		7.51	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		7.41	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		7.31	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		7.21	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		7.11	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		7.01	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		6.91	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		6.81	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		6.71	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		6.61	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		6.51	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		6.41	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		6.31	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		6.21	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		6.11	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		6.01	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		5.91	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		5.81	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		5.71	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		5.61	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		5.51	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo	12.22	NL	
Equity		5.41	NL	HICM	9.40	10.00	Funds:	9.28	9.77	NL	Lord	16.77	NL	Oppenheimer	12.30	NL	UptCo			

Amt	Security	% Mat	Mid. Price	Yield			Amt	Mid. Price	Ave. Life	Corr.	Yield	Amt	Mid. Price	Ave. Life	Corr.	Yield	Amt	Mid. Price	Ave. Life	Corr.
				Mkt	Mkt	Avg.														
\$100	Dresdner Int'l Fin	70-94 Feb	104.6	4.78	7.14		dm 120	Norges Kreditbank				dm 200	Euro Econ Com				dm 300	Euro Econ Com		
dm 200	Dresdner Finance W/w	4-9 Jun	102.4	4.78	5.05		dm 120	Norges Kreditbank				dm 200	Euro Econ Com				dm 300	Euro Econ Com		
dm 250	Dresdner Finance X/w	4-9 Jun	104.6	4.78	4.97		dm 120	Norges Kreditbank				dm 200	Euro Invest Bank				dm 300	Euro Invest Bank		
dm 250	Dresdner Finance X/w	4-9 Jun	104.6	4.78	4.97		dm 120	Norges Kreditbank				dm 200	Euro Invest Bank				dm 300	Euro Invest Bank		
dm 250	Dresdner Finance X/w	4-9 Jun	104.6	4.78	4.97		dm 120	Norges Kreditbank				dm 200	Euro Invest Bank				dm 300	Euro Invest Bank		
dm 70	Dresdner Finance X/w	4-9 Jun	104.6	4.78	4.97		dm 120	Norges Kreditbank				dm 200	Euro Invest Bank				dm 300	Euro Invest Bank		
dm 150	Koenig Finanz X/w	70-94 Nov	106.0	2.07	2.24		dm 120	Norsk Hydro				dm 200	Euro Invest Bank				dm 300	Euro Invest Bank		
dm 200	Koenig Finanz X/w	70-94 Nov	106.0	2.07	2.24		dm 120	Norsk Hydro				dm 200	Euro Invest Bank				dm 300	Euro Invest Bank		
dm 200	Koenig Finanz X/w	70-94 Nov	106.0	2.07	2.24		dm 120	Norsk Hydro				dm 200	Euro Invest Bank				dm 300	Euro Invest Bank		
dm 200	Votes Int'l Finance W/w	4-9 Jun	104.6	4.78	4.97		dm 120	Norsk Hydro				dm 200	Euro Invest Bank				dm 300	Euro Invest Bank		
dm 200	Votes Int'l Finance X/w	4-9 Jun	104.6	4.78	4.97		dm 120	Norsk Hydro				dm 200	Euro Invest Bank				dm 300	Euro Invest Bank		
dm 200	Volkswagen Int'l Fin	70-93 Mar	109.5	7.16	7.21		dm 120	Tromsøm City				dm 200	Euro Invest Bank				dm 300	Euro Invest Bank		
<b>ICELAND</b>																				
dm 50	Iceland	74-97 Apr	100.5	7.48	7.34	2.71	dm 120	Iceland				dm 200	Euro Euro				dm 300	Euro Euro		
dm 75	Iceland	74-97 Jun	100.5	7.48	7.34	2.71	dm 120	Iceland				dm 200	Euro Euro				dm 300	Euro Euro		
<b>IRELAND</b>																				
dm 160	Ireland	10/8 Dec	104.6	7.48	9.69		dm 120	Philippines				dm 200	Philippines				dm 300	Philippines		
dm 160	Ireland	70-97 Jun	105.0	7.25	9.08		dm 120	Philippines				dm 200	Philippines				dm 300	Philippines		
dm 120	Ireland 7.5000	7-9 Jun	105.0	7.25	9.08		dm 120	Philippines				dm 200	Philippines				dm 300	Philippines		
dm 160	Ireland	7-9 Jun	105.0	7.25	9.08		dm 120	Philippines				dm 200	Philippines				dm 300	Philippines		
dm 160	Ireland	7-9 Jun	105.0	7.25	9.08		dm 120	Philippines				dm 200	Philippines				dm 300	Philippines		
dm 160	Ireland	7-9 Jun	105.0	7.25	9.08		dm 120	Philippines				dm 200	Philippines				dm 300	Philippines		
dm 160	Ireland	7-9 Jun	105.0	7.25	9.08		dm 120	Philippines				dm 200	Philippines				dm 300	Philippines		
<b>ITALY</b>																				
dm 100	Academy Motor Strade	74-98 Jun	101.2	7.25	1.13		dm 120	South Africa				dm 200	South Africa				dm 300	South Africa		
dm 200	Campagni Di Credito	80-91 Jan	101.2	5.22	5.28		dm 120	South Africa				dm 200	South Africa				dm 300	South Africa		
dm 160	Credito Credito Onora	8-11 Jun	105.6	5.22	5.27		dm 120	South Africa				dm 200	South Africa				dm 300	South Africa		
dm 160	Ferrero Dele Stato	8-11 Jun	105.6	5.22	5.27		dm 120	South Africa				dm 200	South Africa				dm 300	South Africa		
dm 160	Olivetti Int'l [Ital]	84-91 Jan	104.6	7.41	7.93		dm 120	South Africa				dm 200	South Africa				dm 300	South Africa		
<b>JAPAN</b>																				
dm 50	Bank Of Tokyo Curacao	74-97 Jul	100.5	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 50	Bank Of Tokyo Curacao	74-97 Feb	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 40	Fuji Int'l Finance Wk	74-97 Jun	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Japan Credit Gm	74-97 Jun	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Japan Devolvo Bank	74-97 Jun	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Japan Devolvo Bank	74-97 Jun	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Japan Devolvo Monac	74-97 Jun	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 60	Japan Synth Rubber	74-95 Apr	101.2	5.55	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 60	Jusco Co Ltd	74-95 Apr	101.2	5.55	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05		dm 120	Argentina				dm 200	Argentina				dm 300	Argentina		
dm 160	Kansai Electric Power	74-97 May	101.2	4.78	8.05															

## New Eurobond Issues

Issuer	Amount (millions)	Mat. Coup. %	Price at offer	Yield and Price week	Terms
<b>FLOATING RATE NOTES</b>					
BAWAG	\$75	1999	1%	100	—
					99.18
Southeast Banking Corp	\$75	1996	1%	100	—
					99.32
Sweden	\$700	2004	libid	open	—
					99.28
Banque Nationale de Paris PLC	\$25	1994	1%	100	—
					—
Korea Exchange Bank	\$75	1994	1%	100	—
					98.60
<b>FIXED-COUPON</b>					
Caisse Nationale de l'Energie	\$125	1995	11%	99%	11.84
Sweden	\$200	1989	11%	100	11%
					99.12
Royal Bank of Canada	\$100	1994	11%	100	11%
					98.37
BTR Finance	DM150	1994	7%	100	7%
					98.25
World Bank	DM200	1989	7%	100	7%
					—
Italy	ECU60	1992	10%	100	10%
					99.87
Export Development Corp	CS100	1989	11%	100	11%
					98.00
Export Development Corp	0.10	1986	—	CS16	—
					CS11
Quebec	CS150	1994	12	100	12
Dow Chemical Company	Y50,000	1994	7	100	7
Sears Roebuck and Co	Y125,000	1991	6%	open	—
TRW	Y15,000	1994	7	100	7
New Zealand Forest Products Finance	NZ\$20-30	1991	15%	100	15%
					—
					First callable at par in 1990.
<b>EQUITY-LINKED</b>					
Sumitomo Realty and Development	\$40	1989	open	100	open
					98.50
Tsugami	\$20	2000	open	100	open
					99.75
Yamaichi	\$20	1995	open	100	open
					99.50
Yamaichi	\$20	2000	open	100	open
					99.50

## Eurobonds Rally on U.S. Rate Cut

(Continued from Page 17)  
 due 1990, priced at \$42-\$47.  
 • Weyerhaeuser, expiring Oct. 15, 1987, to buy 12½-percent bonds callable in 1989, at \$28-\$32.  
 • Xerox, expiring Aug. 15, 1985, to buy 13½-percent notes of 1987, priced at \$27-\$34.

The warrant-bond market has another, sadder side, namely a story of woe about the "orphan" bonds, or host issues that can be called at any time warrants are exercised. As there is no way of knowing when this paper will be redeemed, investors are unwilling to buy it, traders are unwilling to make a market and prices (educated guessimates) are ¼ to ½-point below what similarly dated non-callable paper for comparable credits is worth.

Given the losses underwriters who hold this paper are sitting on, it was no surprise that last week was the first since the end of September that the dollar calendar was void of issues bearing warrants to buy bonds.

What looked like the last gasp was in the Canadian dollar sector, where Export Development Corp. offered 100 million dollars of five-year, 11½-percent callable notes with warrants, priced at 16 dollars, to buy non-callable 11½-percent notes of 1989. Both notes and warrants were quoted at substantial discounts from the offering price.

In the classic fixed-coupon market, the most exciting development last week was the effective opening of the Euroyen market. Japanese government restrictions on foreign issuers' access to this market expire Dec. 1. The terms offered — a cou-

pon of 7 percent on 10-year bonds — were considered tight, but bankers were nevertheless enthusiastic.

There is considerable investor demand for yen assets because the currency is seen as a safe harbor in the foreign-exchange market.

The large size of Dow Chemical's issue, 50 billion yen, was intimidating in terms of placing it, bankers said, but comforting in terms that assured there would be a liquid secondary market.

By contrast, TRW offered 15 billion yen and Sears Roebuck, in a seven-year offering carrying a coupon of 6½ percent, raised 12.5 billion yen. Goodyear Tire & Rubber, Allied Corp. and IBM are soon expected to tap this sector.

Credit Suisse's London branch announced plans to market the first certificate of deposit to be denominated in Euroyen. The six-month issue of 10 billion yen will be sold in denominations of 2 million yen (just over \$8,200), designed to appeal to individual investors.

The Bank of Tokyo's London branch said it will offer 5 billion yen of CDs on a tap basis. Maturity will run up to six months and interest will be set below the six-month interbank bid rate. These will be sold in units of 500 million yen. In addition, the Bank of Tokyo's Singapore branch will be selling 5 billion yen of CDs in the Asian market.

In the floating-rate note market, Sweden returned for another \$700 million of 20-year notes which investors can redeem after five years. The proceeds of this and an earlier \$500-million FRN will be used to

repay the \$1.2 billion of older, more expensive floating-rate paper, which bears interest at ¾-point over the London interbank offered rate.

Like the \$500-million note, the pricing of the new offering will be open to competitive bidding. Also like the previous note, the interest rate will be fixed at the London interbank bid rate, which normally is ¼-point below Libor.

In moving the base rate to Libid, Sweden is not only trying to reduce its actual cost of money but also its exposure to shocks in case of an international financial crisis. In the past, such shocks have resulted in a temporary widening of the bid-offered rate and any coupon setting based on Libor in such circumstances would be costly for a borrower.

But using the bid rate as its base risks alienating potential customers who have a need to match their Libor funding base with Libor income. To accommodate such customers, lead manager Morgan Guaranty Trust is offering to sell, for \$70 each, five-year income rights which effectively produce a yield of 1/16-point over Libor on the FRN. The \$70 will be invested to produce a stream of income to enable Sweden to pay 3/16 percent, based on a notional amount of \$10,000.

The five-year life of the income rights coincides with the five-year put option investors have to request redemption. After five years, Sweden can repeat the offer or drop it, and holders can retain their paper or request redemption.

Developing countries," said Regis Talarcouïère, a French financial officer in Washington. He stressed that France's mixed credits represented extra money that would not otherwise go to foreign aid.

Although France and Italy remain unapologetic subsidizers, some European countries are reportedly becoming nervous. The British Treasury has warned that mixed credits could cost it \$1 billion over the next two or three years, while contributing little to the economy, aiding some sectors and hurting others.

Axel Wallen, head of Sweden's export credit agency and chairman of the multilateral negotiation committee, said he did not know if next month's talks would succeed. Mr. Wallen added that the discussions would focus on "transparency" — making subsidies visible and measurable — and on prohibiting small injections of aid to sweeten export financing.

Alarmed at a loss of U.S. exports and jobs, Congress intervened. A year ago it passed legislation obliging the Agency for International Development and the Export-Import Bank to compete with foreign mixed credits. The Botswana offer is the first under that legislation. And there is talk in Congress of establishing a fund of about \$200 million to finance mixed credits, for use only to match offers by competitors.

Although the United States is particularly critical of France for issuing mixed credits, the French express equal exasperation with the United States.

"By mixing our money with export financing, we can increase the amount we make available to de-

## Eastern Europe Fills Vacuum Left by Western Borrowers

By Carl Gewirtz  
*International Herald Tribune*

PARIS — The flight of the most creditworthy borrowers from the syndicated bank credit market to the lower costs of the securities market has created a vacuum in the loan market that Eastern Europe is rushing to fill.

Last week, East Germany was

ECU. Interest is expected to be set at ¾-point over the interbank rate — a level that bankers close to the planning admit is "very tight."

Not to be overlooked is the long maturity and the very long grace period of 70 months before repayment of principal is due to begin. The average maturity on Eurocredits for major Western borrowers this year is 7½ years, according to data published by the Organization for Economic Cooperation and Development.

Pirelli, by contrast, is issuing \$75 million (or the equivalent in ECU) in three- or six-month Euronotes.

The facility may be increased to 10 years, if lenders agree. Banks will be paid an annual facility fee of 10 basis points and the maximum cost of the CDs will be a function of how much paper is sold.

In addition, Pirelli must meet certain financial criteria (tangible net worth, pre-tax earnings as a percentage of interest rate payments) in order to be able to draw on the facility.

From the United States, First Kentucky, a savings and loan association, is seeking \$45 million through the sale of three- or six-month notes. The five-year facility

will bear a maximum interest rate of ¾-point over Libor. Banks will earn an annual fee of ¼ percent and a front-end commission of ¼ percent.

If the notes are not taken, Pirelli

can draw on the banks directly paying a utilization fee of 20 basis points for up to one-third of the total amount, 25 basis points for up to two-thirds and 32½ basis points for more than that.

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Generating the most interest last week were Sweden's request to banks to submit bids on \$200 million worth of short-term notes (part of its \$4-billion facility arranged earlier this year) and Britain's request for bids on \$35 million. The results were still not disclosed at week's end, but reliable sources said the cost of money to both borrowers would be below the London interbank bid rate, which normally is ¼-point below Libor.

over Libor sweetened by front-end fees of ¼ percent.

After two years, banks can convert this paper into three-year floating-rate notes bearing interest at ¾-point over Libor. Banks converting to FRNs and then selling those notes will at the same time be selling their underwriting commitment — freeing up their self-imposed country limit to do more business or reduce it as the case may be.

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## SPORTS

**Dolphin Team of 1984 Analyzes 'Dream Year'**By Tony Kornheiser  
*Washington Post Service*

**MIAMI** — Statistics buffs need no longer worry. The record's safe. By losing in overtime to the San Diego Chargers last week, the 1984 Miami Dolphins dropped out of the race toward immortality and, for this season at least, assured their 1972 counterparts of their line in the history books as the only perfect team in National Football League history.

"Seventeen and oh-my-my," Bob Kuechenberg said last Wednesday. Kuechenberg was a Dolphin then and, albeit on injured reserve, he's a Dolphin still.

It was perfection, a miracle, a fantasy. But we didn't dare dream it, because we all thought it was impossible. What happened in '72 was just that — a happening. None of us aimed at going undefeated.... He allowed himself a slight giggle: "Along the way, we just forgot how to lose."

For 11 straight games this season these Dolphins, too, were perfect — the NFL's best start since '72. Naturally, comparisons were being made.

They were indeed, perhaps, since football now is a far cry from what it was then; rule changes in the late 1970s opened up the game, emphasizing scoring and rewarding pass offense. But comparisons were made nonetheless. Were these Dolphins, with Dan Marino, Mark Duper and Mark Clayton, as good as those Dolphins, with Bob Griese, Larry Csonka and Paul Warfield?

"It started when we were 5-0," said Doug Bettis, a defensive end. "We had a great streak going, but it put a lot of pressure on us — and I don't know if it was good for us. After a while, it kind of got to be counterproductive. You find yourself thinking about the string more than the game."

"It's a natural inclination for the fans to make the comparisons," Kuechenberg admitted. "But it's a distraction for the players. You didn't hear Don Shula or any of the players making them, did you?"

But that doesn't mean their minds don't wander toward the sublime every once in a while. Who wouldn't?

"It's an opportunity to be really special," said guard Ed Newman last week as he repeatedly pumped 315 pounds (598 kilos) of iron during a lunch break at practice.

Said Bettis: "We entertained the possibility, but never openly. We didn't want to set ourselves up. As it was, everyone was coming after us, trying to break the streak."

Was there any point this season when Bettis actually thought these Dolphins might do it? "Not really. It's damn near impossible now. Washington couldn't do it last year, and they're real strong. The Raiders couldn't do it, and they were real strong. The fact is, we'd been lucky to win the last two games before San Diego."

Regardless of how nice an unbeaten record might be, it's the playoffs — not the regular season — that matters most to this team like the Dolphins, Raiders, 49ers and Redskins. "Winning it all is much more important than winning them all," Kuechenberg said. "The real goal is the second season — that's where you can't lose. The biggest heartbreak would be to end the streak."

It may seem silly in retrospect, but Kuechenberg was sort of hoping the '72 Dolphins would lose one regular season game. "We'd locked up the division title after our 10th game, when we beat the Jets, 26-24," he said. "I remember sitting with our center, Jim Langer, in the locker room afterwards, joking about what game we wanted to lose — just to take the monkey off our backs."

It may be easier for Kuechenberg to talk about the psychic benefit of a midseason loss. He's got 1972 to keep him warm. "Several of my ex-teammates have made comments to the effect that they're pleased to still be the only unbeaten team," Kuechenberg said.

"That's honest, of course. That's an exclusive club we're in. To some degree, that feeling exists in me. However, I was particularly tortured by this loss because I'm also a member of this year's team."

"If you're asking me how I feel not to see the record equaled, I'd like to sidestep it. You understand, don't you?"

Who wouldn't?

**5 College Football Bowl Matchups Still Undecided***United Press International*

**NEW YORK** — Although bowl invitations were officially extended Saturday night, the matchups for two New Year's Day college football games and three other bowls remain undecided.

Baylor's upset of fourth-ranked Texas three the Southwest Conference race and Cotton Bowl berth into confusion. Texas, Houston and Southern Methodist are still alive in the SWC chase and two bowls beside the Cotton Bowl are hanging in the balance.

Boston College will meet the SWC champion Jan. 1 in Dallas. Houston has the inside track, needed a victory over Rice next Saturday to take the league crown. If the Cougars fall, Texas will go to the Cotton Bowl with a victory over

Texas A & M. Southern Methodist stayed alive with a 31-28 triumph over Arkansas, but Mustangs will go to the Cotton Bowl only if Houston and Texas lose their final.

The Sugar Bowl contestants won't be determined until Saturday, when Auburn plays Alabama. A victory would make Auburn the Southeastern Conference's representative; if Auburn loses, Louisiana State will meet Nebraska. Florida finished first in the SEC but is ineligible for the Sugar Bowl because of an impending probation by the National Collegiate Athletic Association.

No. 3 Oklahoma earned a piece of the Big Eight championship and a trip to the Orange Bowl by nipping second-ranked Oklahoma State. The Sooners will meet No. 5

Washington in Miami. Oklahoma and Nebraska tied for the Big Eight crown, but the Sooners will go to the Orange Bowl because of their 17-7 victory over the Cornhuskers.

With Oklahoma State and Texas losing on Saturday, the Orange Bowl could pit two of the top three teams in the nation and decide the national championship. But for that to happen, top-rated Brigham Young would have to stumble against Michigan in the Holiday Bowl on Dec. 21.

In other Jan. 1 games, No. 10 champion Southern Cal will meet Big Ten winner Ohio State in the Rose Bowl; Miami and Florida State vs. Georgia; Dec. 22, Sun Bowl — Tennessee vs. Maryland; Dec. 22, Cherry Bowl — Michigan State vs. Army; Dec. 28, Gator Bowl —

South Carolina vs. Oklahoma State; Dec. 29, Hall of Fame Bowl — Kentucky vs. Wisconsin; Dec. 31, Peach Bowl — Virginia vs. Purdue; and Dec. 31, Bluebonnet Bowl — Texas Christian vs. West Virginia.

**Brigham Young 38 Utah State 13**

In Provo, Utah, Heimuli rushed for two touchdowns and Vai Sikahema added two to lift Brigham Young to its 23rd straight victory, a 38-13 romp over Utah State. Robbie Bosco completed 28 of 52 passes for 338 yards and set an NCAA record by passing for 20 or more yards in his 12th consecutive game.

**SMU 31, Arkansas 28**

In Irving, Texas, a 79-yard pass from Don King to Ron Morris set up the touchdown that allowed Southern Methodist to edge Arkansas, 31-28. Reggie Dugay cracked the normally stingy Arkansas defense for three touchdowns.

**Baylor 24, Texas 10**

In Waco, Texas, Thomas Everett intercepted a pass with less than four minutes to play and returned it 45 yards for a touchdown to clinch Baylor's 24-10 shocker over Texas.

**South Carolina 22, Clemson 21**

In Clemson, South Carolina quarterback Mike Hold scored on a 1-yard plunge with 54 seconds left to complete a comeback from an 18-point deficit and give South Carolina a 22-21 victory over Clemson. The Gamecocks marched 84 yards in eight plays for the tying touchdown. Scott Hager's first conversion kick was wide, but when Clemson was penalized for having too many men on the field, Hager made the second kick, giving him a school record 43-for-43 this year. South Carolina finished at 10-1, the school's best record ever.

**Notre Dame 19, Southern Cal 7**

In Los Angeles, Tim Brown and Allen Pinkett scored touchdowns in ankle-deep mud and a driving rain to lift Notre Dame past Southern California, 19-7.

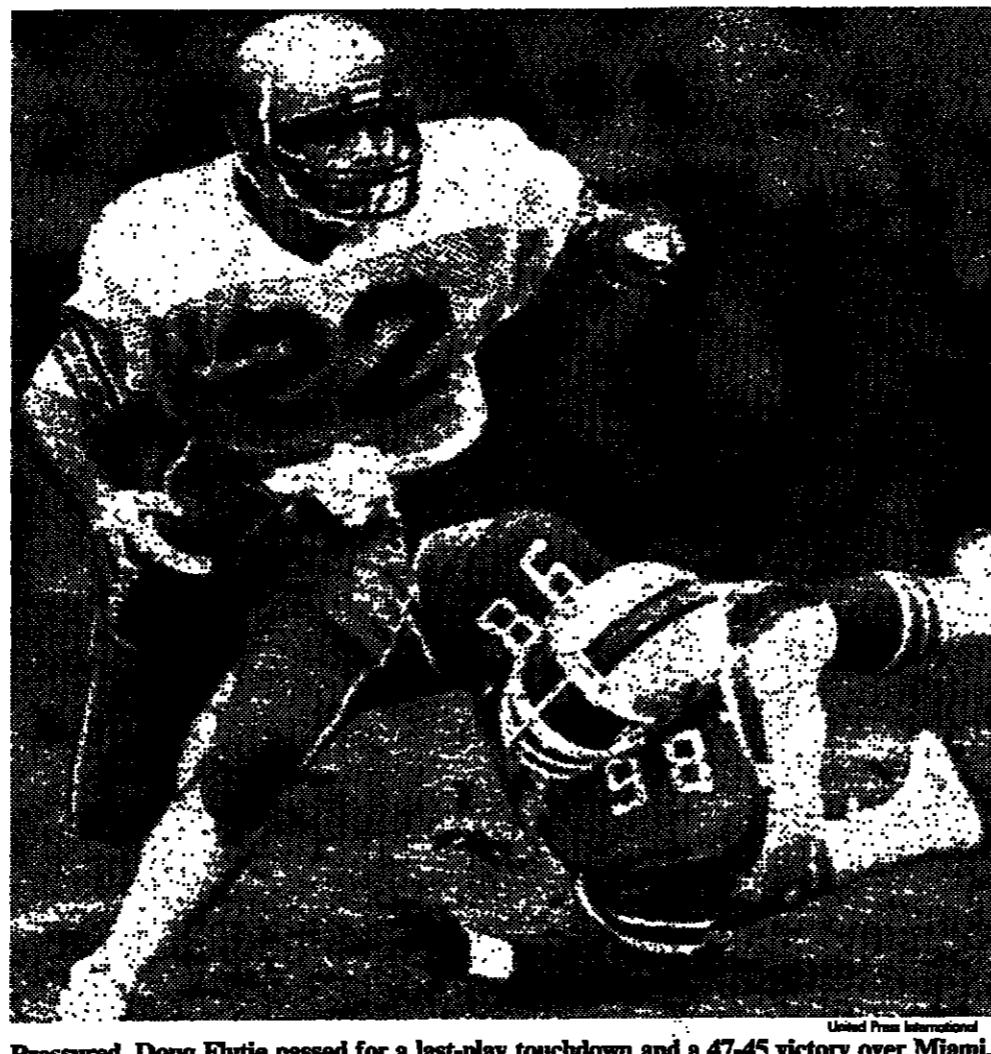
**LSU 33, Tulane 15**

In Baton Rouge, Louisiana, Dalton Hilliard rushed for 133 yards on 24 carries, one of them a 10-yard touchdown run, to spark Louisiana State's 33-15 romp over Tulane. The game ended 15 seconds early when a brawl broke out after the winners' Eric Martin caught a 6-yard TD pass from Jeff Wickerham.

**Maryland 45, Virginia 34**

In Charlottesville, Virginia, Rich Badanek rushed for 217 yards and two touchdowns to help Maryland edge Virginia, 45-34. In a game that saw only four punts, Maryland racked up 575 yards in total offense and averaged 8.8 yards per play while running their record to 8-3.

It was the second consecutive numbing defeat for Miami, the defending national champion. Two weeks ago Miami led Maryland by 31-0 at halftime but lost, 42-40, allowing the greatest comeback in college football history.

**B.C.'s Flutie: A Whirlwind Finish to Regular Season**

United Press International  
Pressured, Doug Flutie passed for a last-play touchdown and a 47-45 victory over Miami.

By Gerald Eskenazi  
*New York Times Service*

**MIAMI** — Doug Flutie enhanced his legend Friday night with a last-play touchdown pass that soared 64 yards over three defenders and gave Boston College a 47-45 victory over Miami.

The pass, officially 48 yards, went to Flutie's roommate, Gerard Phelan, a senior flanker who caught the ball a step behind a crowd of players in the end zone with no time left on the clock.

It was the last spectacular play of a spectacular game made special by the confrontation between two of college football's most glamorous quarterbacks — Bernie Kosar, the Miami sophomore, and Flutie, the senior who on Friday became the first collegian to pass for more than 10,000 yards in a career.

Despite his years of heroics, the final challenge was asking a bit much of Flutie. Only 28 seconds remained when Boston College took possession after a kickoff on its 20-yard line with Miami holding a 45-41 lead, fashioned on Flutie's fourth touchdown of the night.

Only 6 seconds remained when Flutie took the final snap on the Miami 46. He later explained that the play was designed for him to throw to Phelan at the goal line, and that if Phelan was unable to catch the ball he would try to tip the ball to two other receivers nearby.

Under pressure, Flutie scrambled back and then to his right. From 63 yards away, he heaved the ball goalward. Phelan, one of several receivers who lined up to the

right of the center and headed for the end zone, was a yard behind the goal line when the ball arrived. In front of him, three defenders tumbled over each other attempting to get to the ball. Phelan gathered it in his 11th catch of the day, his second for a touchdown.

"He threw it a long, long way," Phelan said. "I didn't think he could throw the ball that far."

"I honestly believe when we ran that play that we had a chance," said Flutie. "I'm not saying that I anticipated it happening, but I'm saying we had a chance and that's all I can say for."

He added: "I didn't know it was a touchdown. I thought it was incomplete. I didn't know it was good until I saw the referee's arms go up."

The play gave Flutie his third touchdown pass of the game, which he finished with 34 completions in 46 attempts for 472 yards. None of his passes was intercepted.

Kosar, meanwhile, hit on 25 of 38 for 447 yards. He threw for two scores and had two passes intercepted.

Boston College's record is 8-2 with one game remaining Saturday against Holy Cross. The Eagles will play in the Cotton Bowl on Jan. 1, Miami, which will face UCLA in the Fiesta Bowl on Jan. 1, finished the regular season at 8-4.

It was the second consecutive numbing defeat for Miami, the defending national champion. Two weeks ago Miami led Maryland by 31-0 at halftime but lost, 42-40, allowing the greatest comeback in college football history.

**SCOREBOARD****Basketball****NBA Standings**

EASTERN CONFERENCE		WESTERN CONFERENCE	
W	L	Pct.	GB
Boston 11	10	.500	—
Philadelphia 9	11	.455	2
Washington 10	6	.625	3
New York 7	9	.437	2
New Jersey 6	8	.429	4
Central Division		Midwest Division	
Milwaukee 10	2	.455	—
Detroit 7	8	.429	3
Indiana 4	7	.429	3
Cleveland 1	12	.377	6
Pacific Division		West Coast Division	
L.A. Lakers 10	6	.625	—
Portland 9	7	.563	1
Phoenix 8	7	.556	2
Seattle 6	9	.429	4
Golden State 4	11	.296	6

**Hockey****NHL Standings**

WALES CONFERENCE		CAMBELL CONFERENCE	
W	L	Pct.	GP
Montreal 13	1	.923	26
Philadelphia 12	2	.857	26
Minnesota 11	3	.786	26
Toronto 10	4	.714	26
Calgary 9	5	.654	26
Vancouver 8	6	.592	26
Edmonton 7	7	.538	26
Colorado 6	8	.481	26
St. Louis 5	9	.429	26
Detroit 4	10	.375	26
Toronto 11	12	.333	26
Montreal 10	13	.296	26
Philadelphia 9	14	.259	26
Minnesota 8	15	.222	26
Toronto 7	16	.185	26
Calgary 6	17	.148	26
Vancouver 5	18	.111	26
Edmonton 4	19	.074	26
Colorado 3	20	.037	26
St. Louis 2	21	.000	26

**FRIDAY'S RESULTS**

WALES CONFERENCE		CAMBELL CONFERENCE	
Montreal 28	27	Philadelphia 28	27
Philadelphia 26	29	Montreal 26	29
Minnesota 25	30	Philadelphia 25	30
Toronto 24	31	Montreal 24</	

## LANGUAGE

## Putting on the Lavish

By William Safire

**WASHINGTON** — "From the glow of the tapers on the 4-foot candelabra," reads the lush advertising copy for New York's Helmsley Palace hotel, "to the 100-year-old pastel panels of a royal court in amorous play, Leona Helmsley ensures the grandeur. . . . What better way to lavish her royal family."

Soon after that ad appeared, a New Yorker cartoon by Lee Lorenz showed a wealthy couple coming out of a French restaurant, with the man saying, "I'd say we were served adequately but not lavishly."

*Lavish* is best known as an adjective, from the Latin *lavare*, "to wash," root of *lavatory* and *lather*. A torrent of rain washing over the land was considered by the French to be *lavasse*, "abundant," even "excessive"; hence, *lavish* in English means "extravagant" or "profuse."

But what about *lavish* as a verb? Lexicographers have always known of the intransitive use of *lavish*, meaning "to be lavish," and can cite examples from the Oxford English Dictionary showing a transitive use as well. Nicholas Udall's 1542 translation of the apothegm of Erasmus was first: "Those persons, who of a riotousness did prodigally *lavish* out and waste their substance."

The transitive verb has also been used with an immaterial object: "But we have lavished out too many words," wrote Sir Philip Sidney in 1581. More recently, we have been awash in the usage to *lavish* (something) on: "He attracts the attention a nation lavishes on its heroes," wrote Murray Marder in The Washington Post about Henry Kissinger. The Economist wrote in 1976, "The government is also proposing to lavish on itself executive reserve powers."

Therefore, Mrs. Helmsley has every right to reach back and give new currency to the transitive verb form in seeking to "lavish" her royal family. You. Her guests.

**I**N a closely related linguistic development, the word *slather* has been coming on strong. This from the current Mademoiselle magazine: "It with a little rest on the opposite thigh. Slather lotion or oil onto hands. Stroke calf muscle with your thumb and fingers, squeez-

*Lavish* means "treat with extravagance, pamper, fuss over, heap goodies upon." By *lavishing* praise, we do a positive thing to some admitted excess; the verb has a connotation of pleasure. *Slather* means "to besmirch, to lay on almost obscene quantities." By *slathering* on the butter, we approach gluttony: the verb is almost always used pejoratively.

*Lavish* us, Leona, but *slather* us not.

New York Times Service

## Back to the Russia of Peter the Great

By Serge Schmemann  
New York Times Service

**SUZDAL**, U.S.S.R. — It could be the daydream of a die-hard U.S. right-winger: Soviet soldiers in bright red tunics, bankrolled by an American conglomerate, stream across the Moscow River and seize the Kremlin.

It actually happened last week in this jewel of an ancient Russian town. The "Kremlin" was really the walled, 14th-century Spaso-Yevfimiev monastery, one if its towers transformed for the occasion into a facsimile of Moscow's Spassky Gate.

The bankroller was NBC Television and the soldiers — real Soviet soldiers — were decked out as Streltsy, the old Russian militia whose periodic rebellions played a formative role in the life of Peter the Great, and whom he finally disbanded and slaughtered.

The attack took only a few minutes. After a flurry of shouted commands in English, Russian, Italian and other less familiar tongues, the Streltsy bolted through the wooden streets of Suzdal, scattering peasants and upsetting carts.

It ended peacefully enough. As winter's early dusk put an end to the day's shooting, the Streltsy, their reddish beards pulled down around their necks, ambled back from the "Kremlin," formed into ranks and marched off to waiting buses.

"You ought to be here when Peter route the Streltsy and Moscow put to the torch," said Marvin J. Chomsky, the director-producer, his ear flaps pulled tightly down against the rapidly sinking temperatures.

The shooting is part of an ambitious, \$26.5 million project, a 10-hour, four-part mini-series based on "Peter the Great," Robert K. Massie's 1981 Pulitzer Prize-winning biography of the Russian czar 300 years ago who overcame brutal court intrigues — including opposition from his own son, whom he had killed — to amass awesome powers; who went incognito to Europe to wrench Russia out of its medieval isolation, and who forged a nation capable of crushing the Turks and the Swedes.

The cameras work is being supervised by Vittorio Storaro, who brought a team of Italians along, and other members of the production team are largely from Germany and Britain.

The cast is similarly international. Peter is being acted by Maximilian Schell and his half-sister Sophia is portrayed by Vanessa Redgrave. Other members of the large cast include Omar Sharif, Trevor Howard, Laurence Olivier and Lili Palmer.

"Peter the Great" is a project for which NBC has effectively occupied Suzdal, a sleepy tourist town of 11,000 people northeast of Moscow with a profusion of onion-domed churches and walled monasteries left over from a more auspicious past. Suzdal's "Kremlin" has been converted into an approximation of Moscow's famed center, with a full-size mock-up of the Uspensky Cathedral, where czars were crowned, facing a plywood Terem Palace replete with icons and double-headed imperial eagles long banished from the original.

**Director-producer Chomsky with Russian extra.**

But for all the magic of the carpenters and decorators, it was Suzdal that supplied an authenticity Hollywood could never have matched. A light covering of early snow dusted the endless culpeas and battlefields, while frost turned trees into glittering sculptures of ice. The sets blended with streets of log houses differing from the decorations largely in the television antennas sprouting from their roofs, while the muhniks and babushkas recruited as extras from among the local citizenry squinted from behind the same weathered northern faces that Peter knew when traversing these parts.

It seemed appropriate that the local production headquarters and many of the Western team members had been housed in a restored convent — the one, in fact, to which Czar Peter had banished his first wife, Eudoxia Lopukhina.

For all the charm of the setting, "Peter the Great" has not come easy — or cheap. The original idea, a six-hour show costing \$12

million, has swelled into a 10-hour series now expected to cost \$26.5 million — a sum roughly double the going rate of miniseries. As the costs mushroomed, the original director, Lawrence Schiller, the man who conceived the idea, was replaced on Aug. 30 by Chomsky — director of such earlier major productions as "Fro茨ans," "Inside the Third Reich" and "Attila."

Some delays have been uniquely Soviet. Filming was held up when trucks carrying critically needed wigs arrived late from Buhkara, in central Asia, where the battle of Azov was filmed. According to Suzdal scuttlebutt, unconfirmed, the drivers had loaded the trucks with southern melons and took them time peddling these along the route.

But, on balance, both Americans and Russians seem to be thrilled by the cooperation. For the Americans there is an authenticity and an expertise that could not have been found elsewhere. Alexander Popov and Ella Makalova, the Soviet art director and costumer, respectively, have drawn superlatives for their ability to re-create the world of Russia on the eve of its first major contact with the West.

From the extraordinary effort the Russians have invested in the film, it is clear that their stake in this production is more than economic.

"Originally, we thought they were doing it for money," said Katz, "but now it's clear that it transcends money. In fact, they're probably overspent in their own terms. But it seems to be a great challenge, to see whether cooperation is possible on something like this, especially with official relations being in the state they're in."

"We want American viewers to see that Russia in those days was not some wind-blown shanty, but already a great state," said Popov, the 38-year-old set designer responsible for the Grand Kremlin and the wooden Moscow. "That Americans will see the film is terribly important," he added. "We're putting much more effort into this than into our own pictures. We know that we, our abilities and our potential, will be judged by this work."

## IWATE POSTCARD

## Japan's Cattle Country

By Christine Chapman  
International Herald Tribune

**I**WATE, Japan — The frost is on the apples and the cows are getting fat up in Iwate prefecture, in the Tohoku, or northeastern part of the country.

Japan's biggest mainland state, Iwate has the beauty of New England and the poverty of Appalachia. But up here they talk more about the mountain scenery, the apple crop and the cattle auction than about the hardscrabble lot of people working and living on the farm. Iwate has none of the tumble-down, shanty-town look of the West Virginia mountain communities, but it's difficult to make a living on the small farms even when the government is subsidizing the over-abundant rice crop.

A small rice-and-cattle farm in Shiwa, central Iwate, belonging to Zenji Nozaki, a 62-year-old former railroad employee, sits on two hectares (about five acres), typical of farms in the prefecture where most of the land is forest and only 11 percent is cultivated. Because of the rice surplus, Nozaki is trying his hand at breeding. He raises black cattle, Japan's original breed, and uses the dung to improve the soil of the rice paddies.

Before World War II Iwate was horse-riding country. After the war the livestock industry switched to dairy and beef cattle, but the number of heads compared to those in Japan's northern island, Hokkaido, is minor. Nozaki has 10 head and produces six calves annually for marketing, few by any standard.

The livestock industry just developed 20 years ago," said Yutaka Yoshioka, a member of the Agricultural Policy Committee, an independent research agency associated with the Ministry of Agriculture.

"The basic facilities for dairy cows are almost equal to those in England and the Netherlands, but in the case of beef cattle the level of technique, management, everything, is low and underdeveloped because the industry is very traditional. The government is trying to encourage expansion."

While Nozaki is trying to make his farm self-supporting, he must work part-time in Morioka, the prefecture's capital city, in the winter. So must his son, whose family also lives on the farm.

There was a grander operation at the dairy-and-beef cattle farm of Kunihiko Kudo, 38, who looked like a model for a tractor advertisement in a bright green outfit brand-ed with the John Deere logo.

The tractor and the feed grain for his 100 Holsteins come from the United States, but the calves are homegrown, he explained. Kudo, who produces 62 head of cattle annually for marketing, will add 80 more steers when he expands the farm with subsidies from the national and prefectural governments. By working jointly with five other farmers Kudo is entitled to a government grant, which he need not repay.

"I thought this business might be profitable," Kudo added. "But it's not as much as I expected."

Before returning to the 14-acre family farm 10 years ago, Kudo worked as a surveyor. Now four generations of Kudos live on and work the farm.

His feed-lot operation does not produce high-quality beef, but meat for general consumption. Beef is a sometime-addition to the Japanese diet, while rice and meat other foods are "stagnant," according to agriculture expert Yoshioka. Imported or domestic, beef is expensive, and housewives elsewhere would be shocked by the limited selection and small packages in the supermarkets.

Further north in Yamagata in the eastern part of the prefecture is the rural Japan made famous by woodblock print artists. Crumbling thatched roofs of old farmhouses, rice drying on racks and asymmetrical stacks of rice straw in the fields, orange persimmon trees and white birches, cone-shaped Mount Iwate, all mark the subtended landscape on a fall afternoon. As in the woodblock prints, there aren't many people, maybe one or two heading to clean out a rice paddy after the harvest. A countrywoman sells garden produce and straw winter sandals from a roadside stand.

A farmer in Yamagata, a village that won first prize last year for agricultural production, has 14 cattle. He also grows shiitake mushrooms and makes charcoal. From May to November when the cattle are grazing he works "outside" of the farm.

"I can't make a living just from breeding cattle," he said.

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